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City of Kennedale, Texas
Annual Comprehensive Financial Report
For Fiscal Year Ended September 30, 2025

City of Kennedale, Texas

Annual Comprehensive Financial Report

For the Fiscal Year Ended September 30, 2025

Prepared by City of Kennedale, Texas Finance Department

City of Kennedale, Texas
Annual Comprehensive Financial Report
Year Ended September 30, 2025

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March 26, 2026

To the Honorable Mayor and City Council and the Citizens of Kennedale:

The City of Kennedale's (the "City") Financial Management Policies require that the Finance Department prepare a complete set of financial statements that are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed Certified Public Accountants. Accordingly, the Annual Comprehensive Financial Report (ACFR) for the City of Kennedale, Texas, for the fiscal year ended September 30, 2025 is hereby issued.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making representations, the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable - rather than absolute - assurance that the financial statements will be free from material misstatements. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Forvis Mazars LLP, independent Certified Public Accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2025, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering **unmodified opinions** that the City's financial statements for the fiscal year ended September 30, 2025, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditor.

GOVERNMENTAL PROFILE

Incorporated in 1947, the City of Kennedale is a first-tier suburb of Fort Worth and is located adjacent to Arlington and Mansfield in southeast Tarrant County. The City currently occupies a land area of 6.2 square miles and serves a population of 10,771. The City is empowered to levy property tax on both real and business personal properties located within its boundaries. It also is empowered by statute to extend its corporate limits by annexation, which occurs periodically, when deemed appropriate by the City Council.

The City operates under a Council-Manager form of government with a Council comprised of a Mayor and five Councilmembers, each elected at large. The term of office is two years with the terms of the Mayor and Council Places 2 and 4 expiring in even-numbered years and the terms of Council Places 1, 3, and 5 expiring in odd-numbered years. The City Council is responsible for enacting ordinances, resolutions, and regulations governing the City as well as appointing the members of various statutory and advisory boards, the City Manager, City Secretary, City Attorney, and Municipal Judge(s). The City Manager is the chief administrative officer of the government and is responsible for the enforcement of laws and ordinances, the appointment and supervision of executive directors and heads of departments, and the performance of administrative functions within the municipal organization.

The City of Kennedale provides a full range of services including police, fire, emergency medical service, municipal court, library, parks, water distribution, wastewater collection, solid waste collection, curbside recycling, streets, stormwater drainage, community development (planning, code enforcement, building inspection, and economic development), and general administrative services. The City contracts with the City of Arlington for the operation and maintenance of its water and wastewater utility system.

The financial reporting entity (the government) includes all funds of the primary government *(i.e., the City of Kennedale as legally defined),* as well as each of its component units. Component units are legally separate entities for which the primary government is financially accountable. Discretely presented component units are legally separate entities and not part of the primary government's operations. The Kennedale Economic Development Corporation (KEDC) is included in the financial statements as a discretely presented component unit.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when considered from the broader perspective of the environment within which the City operates.

LOCAL ECONOMY. After an election in July of 1947, the Town of Kennedale incorporated with a population of 300 people. By 1950, the population had increased to 500 and a petition to the State of Texas was approved which changed the Township into a recognized City.

Located at the nexus of Interstate 20 and State Highway 287, the City provides a highly accessible location for both major retail and professional office space. This transportation corridor provides quick and easy access to the Dallas/Fort Worth International Airport. Downtown Fort Worth is just fifteen minutes to the northwest; and downtown Dallas is less than thirty minutes to the east. The City's central location in the fourth largest metropolitan statistical area (MSA) in the nation means that Kennedale is just a short drive from major entertainment venues including Six Flags over Texas, Hurricane Harbor, Texas Motor Speedway, Globe Life Field (home of the MLB's Texas Rangers), AT&T Stadium (home of the NFL's Dallas Cowboys), and Fort Worth's cultural district and nationally ranked zoo.

Kennedale has experienced steady population growth in the last decade. Beautiful Village Creek slowly winds throughout the City, providing a feeling of tranquility in the community. Much of the City's land is undeveloped, allowing for incoming developments and offering residents a respite from the crowds and traffic congestion existing in much of the Dallas-Fort Worth Metroplex. As the economy continues to grow and expand across North Central Texas, Kennedale will be an attractive choice for businesses and families alike.

The Kennedale Economic Development Corporation (KEDC) was formed in 1996 to spearhead the City's economic growth. The KEDC is funded by a voter- approved half-cent sales tax, which is used to offer grants and other economic incentives to existing and new businesses. The KEDC employs a four-pronged approach: (1) land acquisition, assembly, and clearing for resale, (2) manufacturing expansion, (3) retail retention and development, and (4) quality of life improvements. In accordance with the adopted master plan, the redevelopment of the Oak Crest area continues. A hotel site is in the process of development. The KEDC is also working with property owners in the area to develop their land.

The Town Center shopping center has room for expansion with three pad sites still undeveloped. The Town Center currently hosts service offerings such as a small event venue, salon, spa, and dentist office. Retail offerings include an antique mall, an electrical supplier, and the Dollar General variety store. Current restaurants in Town Center include Subway, Bravo Eats, Chicken Express, Valentino's Pizza, Don Pancho's, and Thrive Coffee startup.

Over 15 new structures are scheduled for completion in 2025-2026, including the new 3 story national brand hotel and a 7,000 SF national brand retailer. The 24 acre RMC Business Park, providing over 100,000 SF of industrial space, will continue through 2026. Notable residential projects currently in development include 10 new single family homes at Russell Ranch, 34 new single family homes in the Moderno Addition on South New Hope Road, a 39-unit townhome site called Harriss Hills on Mansfield Cardinal Road, and a 32-unit townhome project on Crestview Drive.

ACCOUNTING SYSTEM AND BUDGETARY CONTROL. The City's accounting records for general governmental operations are maintained on a modified accrual basis, with the revenues being recorded when available and measurable and expenditures being recorded when goods or services are received and when liabilities are incurred. Accounting records for the City's utilities are, instead, maintained on an accrual basis. In developing and maintaining the City's accounting system, consideration is given to the adequacy of the internal control structure. Internal accounting controls are designed to provide reasonable - but not absolute - assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability of assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. We believe that the City's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The annual budget serves as the foundation for the City of Kennedale's financial planning and control. All City departments are required to submit requests for appropriation to the City Manager no later than June of each year. These requests are used to develop a proposed budget for consideration by the Council no later than August. The City Council is required to hold public hearings on the proposed budget and to adopt a final budget no later than September 30, the close of the City's fiscal year. The appropriated budget is prepared by fund, function *(e.g. public safety),* and department *(e.g. police).* Transfer of appropriations within a department and within funds may be made with approval from the City Manager. Transfers between funds or additional appropriations require the approval of the City Council via budget amendment. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted.

LONG-TERM FINANCIAL PLANNING

CURRENT YEAR PROJECTS. In March 2025, the City Council conducted a strategic planning retreat. During the exercise, four major categories were listed. These are shown below with descriptions of how each category will be addressed in the 2025-2026 budget.

- Public Safety: The remaining $4MM of spending toward remodels of the Law Enforcement Center and Fire Station will take place before August 2026. This covers the second half of this project, with much of the foundational work taking place in 2024-2025.

- Public Works/Infrastructure: An increase of $160,000 toward general street repairs and $50,000 for new streetlights, $200,000 budgeted for an overlay on Hilltop Drive, and $1,800,000 budgeted for resurfacing of Eden and New Hope Roads are part of the 2025-2026 budget. Regarding our water system, $1,250,000 is budgeted for continued work on installing a new 750,000-gallon water tank on Caruthers Lane and the refurbishment of the elevated storage tank on Gail Drive. Preliminary work has started to secure funding for an extension of Little School Road that will include a bridge over the Union Pacific railroad tracks. Total project cost is estimated to be over $40,000,000.

- Community Development: The Economic Development Corporation has budgeted $758,405 to remodel 10,000 square feet of EDC owned space for the YMCA. This action was approved by the City Council on August 5, 2025. The anticipated opening date is early 2026.

- Economic Development: The Economic Development Corporation has also budgeted $125,000 for grants to support Kennedale-based businesses. Remaining in the budget from the previous year is $84,000 for monuments to be placed at the City's limits. The timing of this project is greatly impacted by the Southeast Connector Project being managed by the Texas Department of Transportation. More information on that project can be found here: https://www.txdot.gov/southeastconnector.html.

Actions and initiatives of the Council, Advisory Boards and Commissions, and the professional staff are guided by the City's Strategic Plan *(Imagine Kennedale 2015),* the Comprehensive Land Use Plan, and the Asset Management Plan. The Comprehensive Plan was updated in September 2024. The TIRZ, as noted earlier, is expected to remain a primary focus, along with the redevelopment of Oak Crest and the restoration of Village Creek, including the potential for new park and trail facilities along the creek.

The preservation and restoration of Village Creek could require assistance from some or all of the following entities: the City of Arlington, the Army Corps of Engineers, the Trinity River Authority (TRA), the Tarrant Regional Water District (TRWD), the University of Texas at Arlington (UTA), the Environmental Protection Agency (EPA), the Texas Commission on Environmental Quality (TCEQ), and the Texas Water Development Board (TWDB). Flood control and water quality planning activity could prove essential to the City's efforts to continue encouraging the closure of salvage yards located within the Village Creek floodplain.

The partnership with Arlington Water Utilities (AWU) has expanded to include billing, customer service, and water purchase. Five of the six planned water connection points have been completed and approved by TCEQ. The City of Kennedale receives the majority of its water from AWU, reducing reliance on groundwater and water purchased from the City of Fort Worth.

FUTURE PROJECTS. Beyond community development, there will continue to be a focus on operational efficiencies and strategic planning. The Unified Development Code (UDC) was adopted in 2016 and continues to be reviewed and revised. The City is expected to be positively impacted by the TxDOT Southeast Connector, a redesign of the interchange between Interstate 20, Loop 820, and Highway 287. This project is expected to include a continuous access road along Interstate 20 to the west towards the Anglin exit, providing greater connectivity and accessibility to Kennedale Parkway (Business 287).

RELEVANT FINANCIAL POLICIES

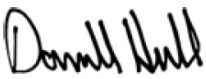
The City will continue controlling expenditures, auditing existing contracts, and exploring new revenue opportunities to strengthen the General Fund balance. Efforts have been put in place to restore net working capital in both the Water and Sewer Fund and the General Fund. The City's bond rating was raised to AA from Standard & Poor's (S&P) Global ratings in December 2024.

AWARDS AND ACKNOWLEDGEMENTS

AWARDS. To be awarded a Certificate of Achievement by the Government Finance Officers Association (GFOA), a governmental unit must publish an easily readable and efficiently organized ACFR. This report must satisfy both GAAP and applicable legal requirements for a government to receive this prestigious award. Staff believes the City's current ACFR will meet program requirements and will be submitted to GFOA for consideration.

ACKNOWLEDGMENTS. The preparation of this report would not be possible without the efficient and dedicated services of the Finance staff and our independent auditors. We would like to express our sincere appreciation to all who have made possible the publication of this report. We would also like to thank the Mayor and the members of the City Council for their support in planning and conducting the financial operations of the City.

Respectfully Submitted,



Darrell Hull
City Manager

Jonathan Horton, CPA
Director of Finance

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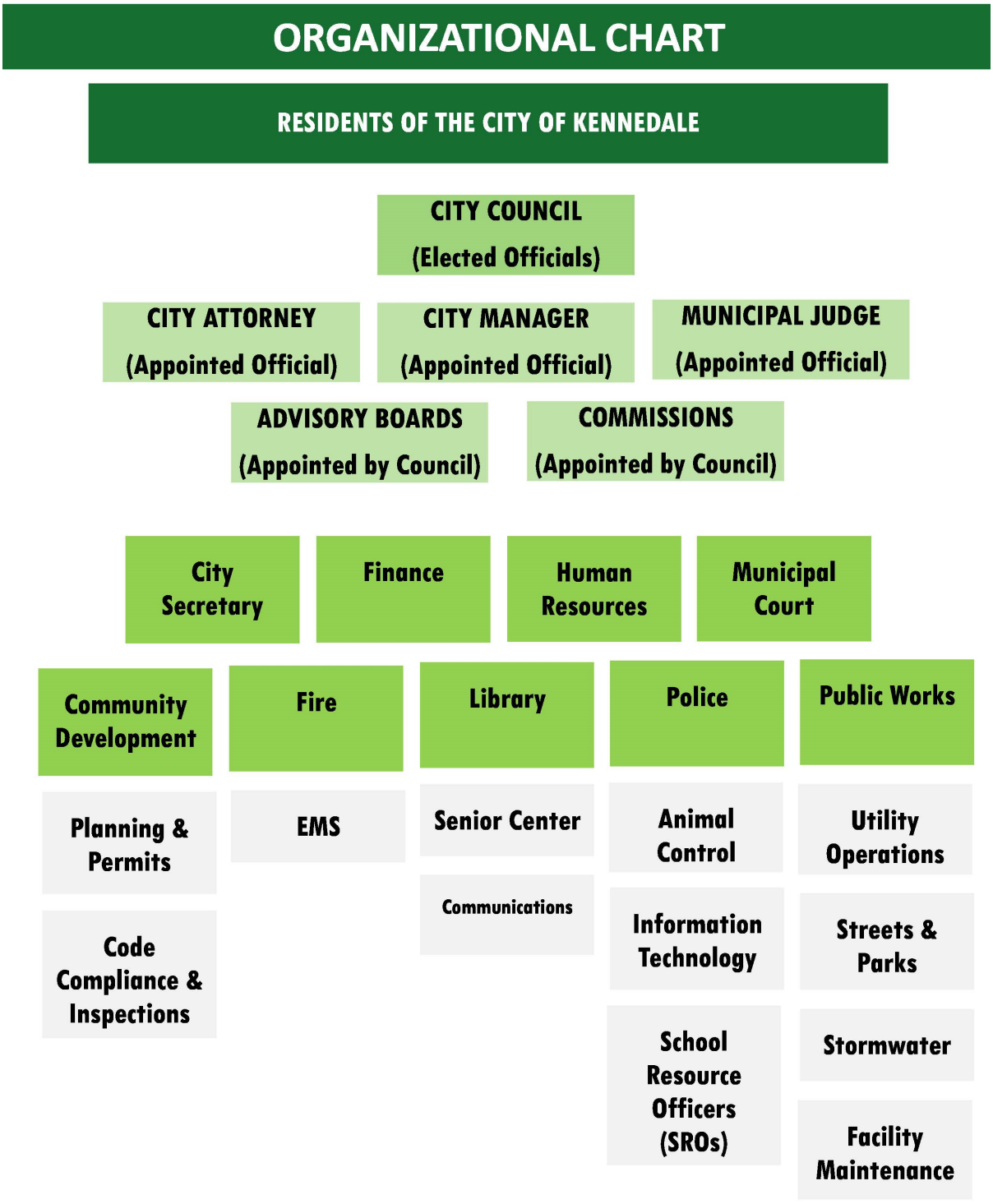
ORGANIZATIONAL CHART
RESIDENTS OF THE CITY OF KENNEDALE
CITY COUNCIL
(Elected Officials)
CITY ATTORNEY
(Appointed Official)
CITY MANAGER
(Appointed Official)
MUNICIPAL JUDGE
(Appointed Official)
ADVISORY BOARDS
(Appointed by Council)
COMMISSIONS
(Appointed by Council)
City Secretary
Finance
Human Resources
Municipal Court
Community Development
Planning & Permits
Code Compliance & Inspections
Fire
EMS
Library
Senior Center
Communications
Police
Animal Control
Information Technology
School Resource Officers (SROs)
Public Works
Utility Operations
Streets & Parks
Stormwater
Facility Maintenance

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Elected Officials

Mayor	Brad Horton
City Council, Place 1	David Glover
City Council, Place 2	Thelma Kobeck
Mayor Pro-Tem and City Council, Place 3	Kenneth Michels
City Council, Place 4	Vacant
City Council, Place 5	Jeff Navarez

Appointed & Key Officials

City Manager	Darrell Hull
City Secretary	Barbara Dahl
City Attorney	Taylor, Olsen, Adkins, Sralla & Elam, LLP
Director of Finance	Jonathan Horton
Director of Human Resources	Danielle Clark
Police Chief (Interim)	Eric Carlson
Fire Chief	Eric Peterson
Director of Public Works	Kristian Sugrim
Director of Community Development	Ed McRoy
Court Administrator	Bertha Vindell
Director of Library and Communications	Elizabeth Partridge

Economic Development Corporation (EDC)
Board of Directors

Place 1	Tyson Eubanks
Place 2	Marcel Terry
Place 3	Kenneth Michels
Place 4	Ryon Ray
Place 5	Dustin Verona
Place 6	KEDC President Mark Yeary
Place 7	David Glover

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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Kennedale
Texas

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2024

Christopher P. Morrill

Executive Director/CEO

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Independent Auditor's Report

The Honorable Mayor and
Members of the City Council
City of Kennedale, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Kennedale, Texas (City), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, general fund budgetary comparison information, pension, and other postemployment benefit information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections, as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2026, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Forvis Mazars, LLP

Dallas, Texas
March 26, 2026

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The Management's Discussion and Analysis (MD&A) section presents a narrative overview and analysis of the financial activities of the City of Kennedale, Texas (City) for the fiscal year ended September 30, 2025. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows at the end of fiscal year 2025, resulting in $53,752,722 of net position. Net position associated with governmental activities is approximately $35.1 million, or 65% of the total net position of the City. Net position associated with business-type activities is approximately $18.6 million, or 35% of the total net position of the City. The largest portion of net position consists of net investment in capital assets, which is approximately $42.5 million.
- Unrestricted net position of the City is $6.9 million. Unrestricted net position for governmental activities is approximately $2.9 million or 8% of total net position of governmental activities. Unrestricted net position for business-type activities is approximately $4.0 million or 21% of total net position for business-type activities.
- As of the close of fiscal year 2025, the City's Governmental Funds reported a combined ending fund balance of $24,665,874, a decrease of $1,613,479 from the prior year's balance.
- At the end of the current fiscal year, total fund balance for the General Fund was $5,002,787. This represents approximately 43% of General Fund expenditures.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the City of Kennedale, Texas' basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements: The government-wide financial statements are designed to provide readers with a broad overview of the City of Kennedale's finances, in a manner similar to private-sector business.

The statement of net position presents information on all of the City of Kennedale's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Kennedale is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, for example uncollected taxes and earned, but not used, vacation leave. Both the statement of net position and the statement of activities are prepared utilizing the full accrual basis of accounting.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from the functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Governmental activities include most of the City's basic services such as fire, police, public works, culture, and recreation as well as general government activities. The business-type activities of the City include water and wastewater and storm water drainage.

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. City of Kennedale, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Kennedale can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Kennedale maintains twelve individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, Grants Fund, TIRZ #1 New Hope Fund, and Capital Bond Fund which are considered to be major funds. Data from the other seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Kennedale adopts an annual appropriated budget for its General Fund and Debt Service Fund. Budgetary comparison statements have been provided for the General Fund and the Debt Service Fund to demonstrate compliance with the budget.

Proprietary Funds: The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. There is one type of proprietary fund: Enterprise Fund. The City's Enterprise Fund is identical to the business-type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found in the financial section.

Other Information: The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information to the financial statements.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of September 30, 2025, City assets and deferred outflows of resources exceeded its liabilities and deferred inflows resulting in $53,752,722 of net position.

Statement of Net Position for Governmental and Business-type Activities

	2025			2024		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	$ 27,207,358	$ 20,974,204	$ 48,181,562	$ 33,189,924	$ 20,396,303	$ 53,586,227
Capital, lease, and subscription assets	38,239,698	15,157,178	53,396,876	35,221,260	13,893,995	49,115,255
Total assets	65,447,056	36,131,382	101,578,438	68,411,184	34,290,298	102,701,482
Deferred outflows of resources	964,606	-	964,606	1,562,651	-	1,562,651
Long-term liabilities	28,367,323	15,874,408	44,241,731	28,814,409	15,878,549	44,692,958
Other liabilities	2,479,502	1,628,985	4,108,487	8,725,744	1,793,726	10,519,470
Total liabilities	30,846,825	17,503,393	48,350,218	37,540,153	17,672,275	55,212,428
Deferred inflows of resources	440,104	-	440,104	279,210	-	279,210
Net position:						
Net investment in capital assets	28,064,962	14,476,680	42,541,642	28,095,130	13,275,187	41,370,317
Restricted	4,152,170	161,899	4,314,069	1,799,661	207,371	2,007,032
Unrestricted	2,907,601	3,989,410	6,897,011	2,259,681	3,135,468	5,395,149
Total net position	$ 35,124,733	$ 18,627,989	$ 53,752,722	$ 32,154,472	$ 16,618,026	$ 48,772,498

By far, the largest portion of the City's net position (79%) reflects its investment in capital, lease, and subscription assets (e.g., land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (8%) represents resources that are subject to external restrictions on how they may be used.

Analysis of City's Operations: The following table provides a summary of the City's operations for the year ended September 30, 2025. Overall, the City had an increase in net position of $4,980,224.

Revenues and Expenses for Governmental and Business-type Activities

	2025			2024		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues						
Program Revenues						
Charges for services	$ 1,409,259	$ 6,468,076	$ 7,877,335	$ 1,692,793	$ 5,082,982	$ 6,775,775
Operating grant and contributions	679,392	-	679,392	650,302	-	650,302
Capital grant and contributions	958,657	56,733	1,015,390	-	86,309	86,309
General revenues						
Taxes and fees	12,742,612	-	12,742,612	11,811,434	-	11,811,434
Other	1,487,622	824,592	2,312,214	1,118,221	933,543	2,051,764
Grants not restricted to a specific purpose	2,124,119	-	2,124,119	731,152	-	731,152
Total revenues	19,401,661	7,349,401	26,751,062	16,003,902	6,102,834	22,106,736
Expenses						
General government	2,689,791	-	2,689,791	2,516,232	-	2,516,232
Public safety	8,012,668	-	8,012,668	7,450,881	-	7,450,881
Public works	2,172,296	-	2,172,296	2,324,535	-	2,324,535
Culture and recreation	862,979	-	862,979	602,906	-	602,906
Interest and fiscal charges	849,057	-	849,057	681,480	-	681,480
Water and sewer	-	6,907,738	6,907,738	-	6,203,491	6,203,491
Storm water drainage	-	276,309	276,309	-	290,254	290,254
Total expenses	14,586,791	7,184,047	21,770,838	13,576,034	6,493,745	20,069,779
Increase (Decrease) in Net Position Before Transfers	4,814,870	165,354	4,980,224	2,427,868	(390,911)	2,036,957
Transfers	(1,844,609)	1,844,609	-	(922,344)	922,344	-
Change in Net Position	2,970,261	2,009,963	4,980,224	1,505,524	531,433	2,036,957
Net Position, Beginning of Year	32,154,472	16,618,026	48,772,498	30,648,948	16,086,593	46,735,541
Net Position, Ending of Year	$ 35,124,733	$ 18,627,989	$ 53,752,722	$ 32,154,472	$ 16,618,026	$ 48,772,498

Governmental Activities: Governmental activities increased the City's net position by $2,970,261. Total revenue for the governmental activities increased from the previous year by $3,397,759. General revenue had a net increase of $2,693,546. Property tax collections increased as a result of real property valuations increasing due to new business and property additions which continues to grow the local economy. Program Revenues increased primarily due to the City meeting capital requirements on grants. Expenses increased by $1,010,757 primarily due to compensation adjustments for personnel and an increase in interest expenses for debt issued in the last few years.

Business-type Activities: Net position from business-type activities increased by $2,009,963. Total revenue for the business-type activities increased from the previous year by $1,246,567, primarily due to increased water and wastewater rates. Additionally, total expenses for business-type activities increased from the previous year by $690,302, primarily due to increased costs for the City's portion of maintenance and operations of water utilities. These factors led to an increase in net position.

Financial Analysis of the City's Funds

Governmental Funds: The focus of the City's Governmental Funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's Governmental Funds reported a combined ending fund balance of $24,665,874, a decrease of $1,613,479 from the prior year. The General fund had an increase of $696,445 in fund balance, primarily due to an increase in property tax values which increased property tax revenues, as well as an increase in sales tax revenue from the State. The Debt Service fund had an increase of $249,359 in fund balance, which was due primarily to a decrease in transfers to other funds for assistance with debt payments. The TIRZ #1 New Hope fund had an increase of $168,376 in fund balance, primarily due to limited activity during the fiscal year which led to a decrease of expenditures. The Capital Bond fund had a decrease of $2,792,728 in fund balance, which was due to costs incurred for construction projects and purchases of capital assets. The Grants fund had an increase of $79,765 in fund balance, which was due primarily to investment income allocated to the fund, as well as an increase in recognition of grant revenue, which was partially offset by the related grant expenditures.

Fund balance includes amounts restricted for Capital Projects of $18,092,180, restricted for Debt Service of $1,197,340, restricted for Parks of $92,396, restricted for Municipal Court of $46,613, restricted for Tourism of $97,175, and restricted for Public Safety of $7,283. Fund balance also includes amounts assigned for Parks of $269,869. The net unassigned fund balance was $4,800,532, an increase of $647,957 from prior year.

In the General Fund, the final budget projected a $2,128,906 decrease in fund balance this fiscal year; however, the actual change was an $696,445 increase. Total revenues were $1,415,493 over budget and total expenditures were under budget by $1,366,258. Revenues increased from the budget primarily due to an increase in administrative charges to other funds recorded as intergovernmental revenues, an increase in sales tax from the State, and an increase in investment earnings due to higher interest rates. Expenditures came in under budget primarily due to a decreased need in engineering services and electric services.

Proprietary Funds: The City's proprietary funds provide the same type of information found in the government-wide financial statements. Unrestricted net position of the Water and Wastewater Fund at the end of the fiscal year amounted to $3,160,330 and the Storm Water Drainage Fund reported an unrestricted net position of $829,080.

Capital, Lease, and Subscription Assets: The City's capital, lease, and subscription assets for its governmental and business-type activities as of September 30, 2025, amount to $53,396,876 (net of accumulated depreciation and amortization). This net investment in capital assets includes land, buildings, park facilities, roads, bridges, and water and sewer lines.

Overall increase in net capital assets can primarily be attributed to work completed on various construction projects.

Additional information on capital asset activity can be found in *Note 7* of this report.

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Land	$ 4,206,187	$ 4,206,187	$ 632,490	$ 632,490	$ 4,838,677	$ 4,838,677
Buildings	6,055,321	5,988,862	7,550,579	5,803,495	13,605,900	11,792,357
Machinery and equipment	5,767,511	5,319,759	714,025	763,547	6,481,536	6,083,306
Construction in progress	7,854,873	4,278,658	177,812	100,388	8,032,685	4,379,046
Lease assets	113,937	113,937	-	-	113,937	113,937
Subscription assets	121,258	121,258	-	-	121,258	121,258
Infrastructure/water distribution	41,490,815	41,068,109	19,235,960	19,168,124	60,726,775	60,236,233
Accumulated depreciation/amortization	(27,370,204)	(25,875,510)	(13,153,688)	(12,574,043)	(40,523,892)	(38,449,553)
Total	$ 38,239,698	$ 35,221,260	$ 15,157,178	$ 13,894,001	$ 53,396,876	$ 49,115,261

Long-term Debt: At the end of the current fiscal year, the City had total bonds outstanding of $36,394,207 and $395,000 of tax notes, all being tax supported. The City also has $54,801 and $40,554 in lease and subscription liabilities, respectively, and notes payable of $426,460.

Additional information on long-term debt activity can be found in *Note 8* of this report.

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
General obligation bonds	$ 5,500,000	$ 6,260,000	$ -	$ -	$ 5,500,000	$ 6,260,000
Certificates of obligation	18,486,259	19,222,641	15,447,948	15,742,089	33,934,207	34,964,730
Tax notes	395,000	780,000	-	-	395,000	780,000
Notes payable	-	-	426,460	557,789	426,460	557,789
Lease liability	54,801	77,250	-	-	54,801	77,250
Subscription liability	40,554	79,134	-	-	40,554	79,134
Total	$ 24,476,614	$ 26,419,025	$ 15,874,408	$ 16,299,878	$ 40,351,022	$ 42,718,903

The City has an AA rating from Standard and Poor's.

Economic Factors and the Next Fiscal Year's Budget and Rates

For fiscal year 2026, the City Council passed a property tax rate of $0.696190 per $100 of taxable value and budgeted for a balanced budget in the General Fund. The adopted budget includes cost of living increases for all employees and increases funding for general road repair. Work is ongoing to update the City's Unified Development Code.

The impact of previous debt issuances has been seen throughout the current fiscal year in the form of road resurfacing on Eden Road and New Hope Road, the completion of the Law Enforcement Center remodel, and the upcoming completion of the Fire Station remodel. The Fire Station's anticipated reopening is scheduled for June 2026.

Development continues within the City. Groundbreakings during the first half of the fiscal year include a Wyndam branded hotel, an AutoZone retail location, and a new townhome community. Additional groundbreakings for a travel center and new retail center are planned before the end of next fiscal year. City management continues to explore expanded revenue streams for the City, including the hiring of a consultant that specializes in identifying and applying for grant funding opportunities.

Requests for Information

This financial report is designed to provide a general overview of the City of Kennedale's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, City of Kennedale, 405 Municipal Dr., Kennedale, Texas 76060.

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Basic Financial Statements

City of Kennedale, Texas
Statement of Net Position
September 30, 2025

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	Kennedale Economic Development Corporation
Assets and Deferred Outflows of Resources				
Cash, cash equivalents, and investments	$ 10,528,257	$ 4,863,578	$ 15,391,835	$ 2,626,949
Receivables (net of allowance):				
Accounts	577,595	797,635	1,375,230	15,052
Taxes	656,775	-	656,775	186,053
Leases	-	-	-	433,508
Prepaid items	62,486	22,786	85,272	10,000
Restricted assets:				
Cash, cash equivalents, and investments	15,382,245	15,290,205	30,672,450	-
Capital, lease, and subscription assets:				
Land and construction in progress	12,061,060	810,302	12,871,362	1,025,948
Other capital, lease, and subscription assets, net of accumulated depreciation and amortization	26,178,638	14,346,876	40,525,514	2,115,490
Total assets	65,447,056	36,131,382	101,578,438	6,413,000
Deferred Outflows of Resources				
Deferred loss on refunding	34,141	-	34,141	-
Deferred outflows of resources – pension	903,509	-	903,509	-
Deferred outflows of resources – OPEB	26,956	-	26,956	-
Total deferred outflows of resources	964,606	-	964,606	-
Total assets and deferred outflows of resources	$ 66,411,662	$ 36,131,382	$ 102,543,044	$ 6,413,000

City of Kennedale, Texas
Statement of Net Position
September 30, 2025

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	Kennedale Economic Development Corporation
Liabilities, Deferred Inflows of Resources and Net Position				
Accounts payable and contracts payable	$ 1,943,937	$ 1,143,855	$ 3,087,792	$ 27,814
Accrued liabilities	369,406	-	369,406	-
Accrued interest	138,204	124,274	262,478	8,468
Deposits	2,150	360,856	363,006	33,899
Unearned revenue	25,805	-	25,805	36,000
Current liabilities:				
Bonds payable	1,515,000	450,000	1,965,000	100,000
Tax notes payable	395,000	-	395,000	-
Compensated absences	364,944	-	364,944	-
Notes payable	-	136,399	136,399	58,970
Lease liability	23,599	-	23,599	-
Subscription liability	40,554	-	40,554	14,270
Noncurrent Liabilities:				
Bonds payable	22,471,259	14,997,948	37,469,207	105,000
Compensated absences	308,061	-	308,061	-
Notes payable	-	290,061	290,061	-
Lease liability	31,202	-	31,202	-
Total OPEB liability	217,510	-	217,510	-
Net pension liability	3,000,194	-	3,000,194	-
Total noncurrent liabilities	26,028,226	15,288,009	41,316,235	105,000
Total liabilities	30,846,825	17,503,393	48,350,218	384,421
Deferred Inflows of Resources				
Deferred gain on refunding	103,791	-	103,791	-
Deferred inflows of resources – pension	273,434	-	273,434	-
Deferred inflows of resources – OPEB	62,879	-	62,879	-
Deferred inflows of resources – leases	-	-	-	389,946
Total deferred inflows of resources	440,104	-	440,104	389,946
Net Position				
Net investment in capital assets	28,064,962	14,476,680	42,541,642	2,863,198
Restricted for:				
Capital projects	2,709,935	-	2,709,935	-
Tourism	97,175	-	97,175	-
Debt service	1,075,402	-	1,075,402	-
Economic development	-	-	-	2,775,435
Impact fees	-	161,899	161,899	-
Municipal court	169,979	-	169,979	-
Parks	92,396	-	92,396	-
Other	7,283	-	7,283	-
Unrestricted	2,907,601	3,989,410	6,897,011	-
Total net position	35,124,733	18,627,989	53,752,722	5,638,633
Total liabilities, deferred inflows of resources and net position	$ 66,411,662	$ 36,131,382	$ 102,543,044	$ 6,413,000

City of Kennedale, Texas
Statement of Activities
Year Ended September 30, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	$ 2,689,791	$ 676,926	$ 679,392	$ -
Public safety	8,012,668	522,402	-	-
Public works	2,172,296	136,840	-	958,657
Culture and recreation	862,979	73,091	-	-
Interest and fiscal charges	849,057	-	-	-
Total governmental activities	14,586,791	1,409,259	679,392	958,657
Business-type Activities				
Water and wastewater	6,907,738	6,188,571	-	56,733
Stormwater and drainage	276,309	279,505	-	-
Total business-type activities	7,184,047	6,468,076	-	56,733
Total primary government	$ 21,770,838	$ 7,877,335	$ 679,392	$ 1,015,390
Component Unit				
Kennedale Economic Development Corporation	1,374,279	343,914	-	-
Total component unit	$ 1,374,279	$ 343,914	$ -	$ -

General Revenues

General revenues:
- Property taxes
- Sales taxes
- Franchise taxes
- Interest on investments
- Miscellaneous
- Grants not restricted to a specific purpose

Gain on sale of capital assets

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning of year

Net position, end of year

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Economic Development Corporation
$ (1,333,473)	$ -	$ (1,333,473)	$ -
(7,490,266)	-	(7,490,266)	-
(1,076,799)	-	(1,076,799)	-
(789,888)	-	(789,888)	-
(849,057)	-	(849,057)	-
(11,539,483)	-	(11,539,483)	-
-	(662,434)	(662,434)	-
-	3,196	3,196	-
-	(659,238)	(659,238)	-
$ (11,539,483)	$ (659,238)	$ (12,198,721)	$ -
-	-	-	(1,030,365)
$ -	$ -	$ -	(1,030,365)
9,164,261	-	9,164,261	-
3,088,581	-	3,088,581	1,029,007
489,770	-	489,770	-
1,258,555	824,592	2,083,147	125,481
185,467	-	185,467	39,928
2,124,119	-	2,124,119	-
43,600	-	43,600	-
(1,844,609)	1,844,609	-	-
14,509,744	2,669,201	17,178,945	1,194,416
2,970,261	2,009,963	4,980,224	164,051
32,154,472	16,618,026	48,772,498	5,474,582
$ 35,124,733	$ 18,627,989	$ 53,752,722	$ 5,638,633

City of Kennedale, Texas
Balance Sheet
Governmental Funds
September 30, 2025

	General	Debt Service	TIRZ 1 New Hope	Capital Bond
Assets				
Cash, cash equivalents, and investments	$ 5,162,769	$ 1,189,380	$ 393,472	$ 17,796,221
Receivables (net of allowance for uncollectibles):				
Accounts	286,579	-	-	83,424
Taxes	632,549	24,226	-	-
Due from other funds	-	-	-	-
Prepaid items	62,486	-	-	-
Total assets	$ 6,144,383	$ 1,213,606	$ 393,472	$ 17,879,645
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts payable	$ 514,531	$ -	$ -	$ 1,010,717
Accrued liabilities	369,406	-	-	-
Due to other funds	71,589	-	74,603	-
Deposits	2,150	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	957,676	-	74,603	1,010,717
Deferred Inflows of Resources				
Unavailable revenue	183,920	16,266	-	-
Total deferred inflows of resources	183,920	16,266	-	-
Fund Balances				
Nonspendable:				
Prepaid items	62,486	-	-	-
Restricted for:				
Capital projects	-	-	318,869	16,868,928
Tourism	-	-	-	-
Debt service	-	1,197,340	-	-
Municipal court	46,613	-	-	-
Public safety	-	-	-	-
Parks	92,396	-	-	-
Assigned:				
Parks	-	-	-	-
Unassigned	4,801,292	-	-	-
Total fund balances	5,002,787	1,197,340	318,869	16,868,928
Total liabilities, deferred inflows of resources and fund balances	$ 6,144,383	$ 1,213,606	$ 393,472	$ 17,879,645

Grants	Other Governmental Funds	Total Governmental Funds
$ 486,246	$ 882,414	$ 25,910,502
203,570	4,022	577,595
-	-	656,775
-	147,972	147,972
-	-	62,486
$ 689,816	$ 1,034,408	$ 27,355,330
$ 418,689	$ -	$ 1,943,937
-	-	369,406
-	1,780	147,972
-	-	2,150
25,805	-	25,805
444,494	1,780	2,489,270
-	-	200,186
-	-	200,186
-	-	62,486
245,322	659,061	18,092,180
-	97,175	97,175
-	-	1,197,340
-	-	46,613
-	7,283	7,283
-	-	92,396
-	269,869	269,869
-	(760)	4,800,532
245,322	1,032,628	24,665,874
$ 689,816	$ 1,034,408	$ 27,355,330

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City of Kennedale, Texas
Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Position
September 30, 2025

Total fund balances – governmental funds		$ 24,665,874
Amounts reported for governmental activities in the statement of net position are different because:		
Capital and lease assets (net of accumulated depreciation/amortization) used in governmental activities are not current financial resources and therefore are not reported in the funds.		38,239,698
Interest payable on long-term debt in the City's governmental activities is not payable from current resources and therefore is not reported in the governmental funds balance sheet.		(138,204)
Revenues earned but not available within 60 days of the year-end are not recognized as revenue on the fund financial statements.		200,186
Deferred outflows of resources and deferred inflows of resources represent flows of resources which relate to future periods and, therefore, are not reported in the fund financial statements. Deferred outflows of resources and deferred inflows of resources at year-end consist of:		
Deferred gain on refunding	$ (103,791)	
Deferred loss on refunding	34,141	
Deferred outflows of resources – Pension	903,509	
Deferred outflows of resources – OPEB	26,956	
Deferred inflows of resources – Pension	(273,434)	
Deferred inflows of resources – OPEB	(62,879)	524,502
Long-term liabilities, including bonds payable, notes payable, compensated absences, net pension liability, total OPEB liability, lease liability, and subscription liability are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet.		
Bonds payable	(22,975,000)	
Tax notes payable	(395,000)	
Issuance premium	(1,011,259)	
Lease liability	(54,801)	
Subscription liability	(40,554)	
Compensated absences	(673,005)	
Net pension liability	(3,000,194)	
Total OPEB liability	(217,510)	(28,367,323)
Total net position of governmental activities		$ 35,124,733

City of Kennedale, Texas
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended September 30, 2025

	General	Debt Service	TIRZ 1 New Hope	Capital Bond
Revenues				
Property taxes	$ 6,456,313	$ 2,460,199	$ 304,463	$ -
General sales tax	3,088,581	-	-	-
Occupancy taxes	-	-	-	-
Franchise fees	489,770	-	-	-
Licenses and permits	348,389	-	-	-
Public safety fees	350,335	-	-	-
Intergovernmental	694,571	138,847	-	958,657
Charges for services	154,546	-	-	-
Fines and forfeitures	332,349	-	-	-
Investment income	288,551	54,996	13,541	784,369
Miscellaneous	145,725	-	-	-
Total revenues	12,349,130	2,654,042	318,004	1,743,026
Expenditures				
Current:				
General government	2,326,948	-	-	-
Public safety	7,474,273	-	-	-
Public works	770,885	-	450	422,600
Culture and recreation	680,882	-	-	-
Capital outlay	374,866	-	-	4,044,103
Debt service:				
Principal retirement	61,029	1,860,000	-	-
Interest and fiscal charges	7,402	881,177	-	-
Total expenditures	11,696,285	2,741,177	450	4,466,703
Excess (Deficiency) of Revenues Over (Under) Expenditures	652,845	(87,135)	317,554	(2,723,677)
Other Financing Sources (Uses)				
Proceeds from sale of assets	43,600	-	-	-
Transfers in	-	336,494	79,051	-
Transfers out	-	-	(228,229)	(69,051)
Total other financing sources (uses)	43,600	336,494	(149,178)	(69,051)
Net Change in Fund Balances	696,445	249,359	168,376	(2,792,728)
Fund Balances, Beginning of Year	4,306,342	947,981	150,493	19,661,656
Fund Balances, End of Year	$ 5,002,787	$ 1,197,340	$ 318,869	$ 16,868,928

Grants	Other Governmental Funds	Total Governmental Funds
$ -	$ -	$ 9,220,975
-	-	3,088,581
-	17,223	17,223
-	-	489,770
-	33,721	382,110
-	-	350,335
2,124,119	1,602	3,917,796
-	165,235	319,781
-	353	332,702
70,126	46,972	1,258,555
-	22,519	168,244
2,194,245	287,625	19,546,072
-	-	2,326,948
138,072	2,030	7,614,375
-	18,450	1,212,385
52,132	27,990	761,004
1,924,276	38,061	6,381,306
-	-	1,921,029
-	-	888,579
2,114,480	86,531	21,105,626
79,765	201,094	(1,559,554)
-	-	43,600
-	-	415,545
-	(215,790)	(513,070)
-	(215,790)	(53,925)
79,765	(14,696)	(1,613,479)
165,557	1,047,324	26,279,353
$ 245,322	$ 1,032,628	$ 24,665,874

City of Kennedale, Texas
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2025

Net change in fund balances – total governmental funds		$ (1,613,479)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense.		
Capital outlay		6,381,306
Capital asset additions transferred to business-type activities		(1,747,084)
Depreciation/amortization		(1,615,784)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(188,011)
Current year principal payments of long-term liabilities are shown as expenditures in the fund financial statements, but shown as reductions in long-term liabilities in the government-wide financial statements as follows:		
Payments on bonds	$ 1,475,000	
Payments on tax notes	385,000	
Payments on leases	22,449	
Payments on subscriptions	38,580	1,921,029
The issuance of long-term debt, such as bonds, leases and related premiums provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Differences consist of the following:		
Amortization of bond premiums	21,382	
Amortization of deferred loss on refunding bonds	(11,381)	
Amortization of deferred gain on refunding bonds	22,871	32,872
Current year pension expenditures are reported on the fiscal year basis on the governmental statement of revenues, expenditures and changes in fund balance and as actuarially determined in the government-wide statement of activities. These differences are reflected in net pension liability, deferred outflows of resources, and deferred inflow of resources balances.		(221,333)
Current year OPEB expenditures are reported on the fiscal year basis on the governmental statement of revenues, expenditures and changes in fund balance and as actuarially determined in the government-wide statement of activities. These differences are reflected in total OPEB liability, deferred outflows of resources and deferred inflow of resources balances.		(333)
Current year change in long-term liability for compensated absences do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.		14,428
Current year changes in accrued interest payable do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.		6,650
Change in net position of governmental activities		$ 2,970,261

City of Kennedale, Texas
Statement of Net Position
Proprietary Funds
September 30, 2025

	Water and Wastewater	Non-major Storm Water Drainage	Total Proprietary Funds
Assets			
Current assets			
Cash, cash equivalents, and investments	$ 4,058,273	$ 805,305	$ 4,863,578
Receivables (net of allowance for uncollectibles):			
Accounts	773,860	23,775	797,635
Prepaid items	22,786	-	22,786
Restricted cash, cash equivalents, and investments:			
Impact fees	161,899	-	161,899
Customer deposits	360,856	-	360,856
Capital projects	14,767,450	-	14,767,450
Total current assets	20,145,124	829,080	20,974,204
Noncurrent assets			
Capital assets:			
Land and improvements	409,801	222,689	632,490
Buildings	7,550,579	-	7,550,579
Water/Wastewater distribution	18,150,530	1,085,430	19,235,960
Equipment and furniture	714,025	-	714,025
Construction in progress	177,812	-	177,812
Accumulated depreciation	(12,938,662)	(215,026)	(13,153,688)
Total noncurrent assets	14,064,085	1,093,093	15,157,178
Total assets	34,209,209	1,922,173	36,131,382
Liabilities			
Current liabilities			
Accounts payable	$ 1,143,855	$ -	$ 1,143,855
Accrued interest	124,274	-	124,274
Deposits	360,856	-	360,856
Bonds payable	450,000	-	450,000
Notes payable	136,399	-	136,399
Total current liabilities	2,215,384	-	2,215,384
Noncurrent liabilities			
Bonds payable	14,400,000	-	14,400,000
Notes payable	290,061	-	290,061
Premiums on bond debt	597,948	-	597,948
Total noncurrent liabilities	15,288,009	-	15,288,009
Total liabilities	17,503,393	-	17,503,393
Net Position			
Net invested in capital assets	13,383,587	1,093,093	14,476,680
Restricted for:			
Impact fees	161,899	-	161,899
Unrestricted	3,160,330	829,080	3,989,410
Total net position	$ 16,705,816	$ 1,922,173	$ 18,627,989

City of Kennedale, Texas
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended September 30, 2025

	Water and Wastewater	Non-major Storm Water Drainage	Total Proprietary Funds
Operating Revenues			
Charges for services:			
Water	$ 3,699,485	$ -	$ 3,699,485
Wastewater	2,488,926	-	2,488,926
Storm water drainage	-	279,505	279,505
Other	160	-	160
Total operating revenues	6,188,571	279,505	6,468,076
Operating Expenses			
General and administration	854,371	255,248	1,109,619
Cost of sales and services	4,765,214	-	4,765,214
Depreciation	608,106	21,061	629,167
Total operating expenses	6,227,691	276,309	6,504,000
Operating Income (Loss)	(39,120)	3,196	(35,924)
Nonoperating Revenues (Expenses)			
Interest and investment revenue	785,583	39,009	824,592
Interest and fiscal charges	(680,047)	-	(680,047)
Total nonoperating revenues	105,536	39,009	144,545
Income Before Transfers and Capital Contributions	66,416	42,205	108,621
Transfers in	97,525	-	97,525
Capital contributions	1,803,817	-	1,803,817
Total transfers and capital contributions	1,901,342	-	1,901,342
Change in Net Position	1,967,758	42,205	2,009,963
Net Position, Beginning of Year	14,738,058	1,879,968	16,618,026
Net Position, End of Year	$ 16,705,816	$ 1,922,173	$ 18,627,989

City of Kennedale, Texas
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2025

	Water and Wastewater	Non-major Storm Water Drainage	Total Proprietary Funds
Cash Flows From Operating Activities			
Receipts from customers and users	$ 5,726,535	$ 257,491	$ 5,984,026
Payments to employees	(854,371)	-	(854,371)
Payments to suppliers	(4,489,818)	(256,543)	(4,746,361)
Net cash provided by operating activities	382,346	948	383,294
Cash Flows From Noncapital and Related Financing Activities			
Transfers in	97,525	-	97,525
Net cash provided by noncapital and related financing activities	97,525	-	97,525
Cash Flows From Capital and Related Financing Activities			
Acquisition and construction of capital assets	(145,260)	-	(145,260)
Principal payments on debt	(294,141)	-	(294,141)
Interest payments on debt	(686,117)	-	(686,117)
Payments on notes payable	(131,329)	-	(131,329)
Capital contributions - impact fees	34,951	-	34,951
Capital contributions - grants	21,782	-	21,782
Net cash used in capital and related financing activities	(1,200,114)	-	(1,200,114)
Cash Flows From Investing Activities			
Interest on investments	785,583	39,009	824,592
Net cash provided by investing activities	785,583	39,009	824,592
Increase in Cash and Cash Equivalents	65,340	39,957	105,297
Cash and Cash Equivalents, Beginning of Year	19,283,138	765,348	20,048,486
Cash and Cash Equivalents, End of Year	$ 19,348,478	$ 805,305	$ 20,153,783
Noncash Investing, Capital and Financing Activities			
Contributions of capital assets	1,747,084	-	1,747,084
Reconciliation to Statement of Net Position			
Cash, cash equivalents, and investments	$ 4,058,273	$ 805,305	$ 4,863,578
Restricted cash, cash equivalents, and investments	15,290,205	-	15,290,205
	$ 19,348,478	$ 805,305	$ 20,153,783
Reconciliation of Net Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating income (loss)	$ (39,120)	$ 3,196	$ (35,924)
Adjustments to reconcile operating loss to net cash provided by operating activities			
Depreciation	608,106	21,061	629,167
Changes in assets and liabilities			
Accounts receivable	(450,590)	(22,014)	(472,604)
Accounts payable	275,396	(1,295)	274,101
Deposits	(11,446)	-	(11,446)
Net cash provided by operating activities	$ 382,346	$ 948	$ 383,294

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Note 1. Summary of Significant Accounting Policies

The accounting and reporting policies of the City conform to accounting principles generally accepted in the United States of America for local governments. Generally accepted accounting principles (GAAP) for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant accounting and reporting policies:

Reporting Entity

City of Kennedale, Texas (City) was incorporated in 1947. The City operates as a home-rule City under a council-manager form of government and provides the following services as authorized by its charter: police, fire, planning, zoning and code enforcement, public works, streets, parks and recreation, public library, ambulance, water and sewer utilities, and general administrative services. Sanitation collection services are provided by the City of Arlington.

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations and are appropriately presented as funds of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the City.

Discretely Presented Component Unit: The Kennedale Economic Development Corporation (KEDC). KEDC is a legally separate entity incorporated on December 2, 1996. The Corporation's purpose is to promote economic development within the City, including, but not limited to, construction, operation, and administration, as permitted by Section 4B of the Act, as amended. The City Council appoints the governing board for this entity and is able to impose its will upon the Corporation.

A separately issued audited financial report is available for the Kennedale Economic Development Corporation. This report may be obtained by contacting the following office:

City of Kennedale, Texas
Director of Finance
405 Municipal Drive
Kennedale, Texas 76060

Blended Component Unit: On July 12, 2012, the City Council adopted an Ordinance designating an area Tax Increment Reinvestment Zone (TIRZ) #1 New Hope. The purpose for creation of the TIRZ was to finance and make certain public improvements, under the authority of the *Tax Increment Financing Act*. For reporting purposes, the TIRZ is a blended component unit. The Council appoints a majority of the TIRZ board members and approves recommendations from the Board in regard to administration, management, and operation of the TIRZ. The TIRZ is reported as a governmental fund and a separate unaudited financial report is available from the City's finance department.

Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect costs have been included as part of the program expenses reported for the various functional activities. Program revenue includes: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenue.

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers taxes and other revenue to be available if they are collected within 60 days of the end of the current fiscal period, while grants are revenue to be available if collected within one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, including lease and subscription liabilities, as well as expenditures related to compensated absences, claims and judgments, pension and other postemployment benefit obligations are recorded when payment is due. General capital asset acquisitions, including entering into contracts giving the City the right to use lease or subscription assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases and subscriptions are reported as other financing sources.

Property taxes, franchise taxes, sales taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual, and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Debt Service Fund is used to account for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The TIRZ #1 (New Hope) Fund is used to account for the construction of various capital improvements within the TIRZ that will be funded with the incremental property tax revenue within the TIRZ area. The City has designated this fund as major.

The Capital Bond Fund is used to account for the acquisition and construction of various capital improvements and is funded by general obligation bonds.

The Grants Fund is used to account for proceeds received from federal, local, and state grants and their related expenditures.

The City reports the following major proprietary fund:

The Water and Wastewater Fund is used to account for the activities necessary for the provision of water and wastewater services.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and wastewater function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Amounts reported as *program revenues* include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund are charges to customers for sales and services. Operating expenses for the enterprise fund include cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

Deposits and Investments

The City pools substantially all cash and investments except for separate cash and investment accounts, which are maintained in accordance with legal restrictions. Investments in government pools are recorded at amortized cost or net asset value.

For purpose of presenting the proprietary fund cash flow statement, cash and cash equivalents include demand deposits and investments with a maturity date within three months of the date acquired by the City.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the noncurrent portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type in the government-wide financial statements as "internal balances."

Property taxes attach as an enforceable lien on property as of October 1. Taxes are levied each October 1 and are due and payable on or before January 31 of the following year. All unpaid taxes become delinquent February 1 of the following year. The Tarrant County Tax Assessor/Collector bills and collects the City's property taxes. Any uncollected property taxes as of September 30, which are not expected to be collected within 60 days, are recorded as taxes receivable and deferred inflows of resources in the fund financial statements.

As a City that operates under a home-rule charter, the City has a tax rate limitation of $2.50 per $100 assessed valuation. For the year ended September 30, 2025, the City had a tax rate of $0.706190 per $100 of which $0.510974 was allocated for general government and $0.195216 was allocated for payment of principal and interest on general long-term debt.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Restricted Assets

Certain cash and cash equivalent balances are restricted by various legal, contractual, and bond obligations. Unspent bond proceeds must be expended in accordance with the bond indenture and are recorded in both governmental and business-type activities. Customer deposits and impact fees are, by law, to be considered restricted assets. These activities are included in the Water and Wastewater Fund.

Capital, Lease and Subscription Assets

Capital, lease and subscription assets, which include property, plant, equipment, right to use lease equipment, infrastructure (e.g., roads, bridges, sidewalks, and similar items), and subscription based information technology arrangements, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital, lease and subscription assets as assets with an initial, individual cost of more than $5,000 for assets and $15,000 for lease and subscription assets, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment are depreciated or amortized using the straight-line method over the following useful lives or the lease or subscription term, whichever is shorter.

Buildings	20 years
Machinery and equipment	4 - 10 years
Infrastructure (streets and drainage)	35 - 50 years
Other structures	50 years

The City evaluates capital, lease, and subscription assets for impairment whenever events or circumstances indicate a significant, unexpected decline in the service utility of an asset has occurred. If a capital, lease, or subscription asset is tested for impairment and the magnitude of the decline in service utility is significant and unexpected, the historical cost of the asset and related accumulated depreciation or amortization are decreased proportionately such that the net decrease equals the impairment loss. No asset impairment was recognized during the current fiscal year.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future reporting period(s) and so will not be recognized as an outflow of resources (expense/expenditure/reduction of liability) until then. The City has the following items that qualify for reporting in this category.

- Deferred loss on refunding – A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and recognized over the shorter of the life of the refunded or refunding debt.
- Pension & OPEB contributions/benefit payments subsequent to the measurement date – These contributions are deferred and recognized in the following fiscal year.
- Changes in actuarial assumptions related to the OPEB plan – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period.
- Differences between expected and actual experience – Pension and OPEB plans – These amounts represent the differences with regard to economic and demographic factors. These differences are deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period.

In addition to liabilities, the statement of net position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future reporting period(s) and so will not be recognized as an inflow of resources (revenue) until then. The City has the following items that qualify for reporting in this category.

- Unavailable revenue – This amount represents uncollected property taxes, municipal court fees, and ambulance fees and notes receivables. This amount is deferred and recognized once payments are made in the following fiscal year. This item is only presented in the Balance Sheet – Governmental Funds.
- Leases – This is reported under both the full accrual and modified accrual basis of accounting. This is measured at the value of the lease receivable plus any payment received at or before the commencement of the lease term that relate to future periods. The KEDC will recognize an inflow of resources from the deferred inflows of resources in a systematic and rational manner over the term of the lease.
- Deferred gain on refunding – A deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and recognized over the shorter of the life of the refunded or refunding debt.
- Differences between expected and actual experience – OPEB plan – These amounts represent the differences with regard to economic and demographic factors. These differences are deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period.
- Changes in actuarial assumptions related to OPEB and pension plans – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period.
- Net difference in projected and actual earnings – Pension – This difference is deferred and amortized as a component of pension expense on a closed basis over a five year period beginning with the period in which the difference occurred.

Compensated Absences

Paid-time off (PTO) is accrued as a liability as employees earn the benefit to the extent that they meet all of the following criteria: 1) the City's obligation is attributable to employees' services already rendered; 2) the leave accumulates; and 3) it is more likely than not that the City will compensate the employees for the benefits through PTO or some other means, such as cash payments.

The liability for compensated absences is reported in the government-wide financial statements based on the pay rate effective at year-end and the last-in-first-out (LIFO) method. The liability includes salary related benefits, where applicable.

Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed during the period of issuance.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Lease Liability

The City is a lessee for noncancellable leases. The City recognizes a lease liability and an intangible right-to-use asset (lease asset) in the financial statements. The City recognizes a lease liability with an initial, individual value of $15,000 or more. At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life, or lease term, whichever is shorter.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease and any extensions that are deemed reasonable certain to be exercised. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with capital, lease, and subscription assets and lease liabilities are reported with long-term liabilities on the statement of net position.

Subscription Liability

The City contracts for noncancellable subscriptions of information technology software. The City recognizes a subscription liability and an intangible subscription asset (subscription asset) in the government-wide financial statements. The City recognizes subscription liabilities with an initial, individual value of $15,000 or more.

At the commencement of a subscription, the City measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made.

The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life or subscription term, whichever is shorter.

Key estimates and judgments related to subscriptions include how the City determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The City uses the interest rate charged by the subscription-based information technology arrangement (SBITA) vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for subscriptions.
- The subscription term includes the noncancellable period of the subscription and any extensions that are deemed certain to be exercised. Subscription payments included in the measurement of the subscription liability are composed of fixed payments.

The City monitors changes in circumstances that would require a remeasurement of its subscription and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Subscription assets are reported with capital, lease, and subscription assets and subscription liabilities are reported with long-term liabilities on the statement of net position.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS' Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits Plans

The City has a single-employer defined benefit other postemployment benefit (OPEB) plan (Plan). For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Net Position

Net position represents the difference between assets, deferred inflows/outflows of resources and liabilities. Net investment in capital assets consists of capital, lease, and subscription assets, net of accumulated depreciation and amortization, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Fund Balance

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent.

The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either: (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Non-spendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by board resolution of the City Council, the City's highest level of decision making authority. These amounts cannot be used for any other purpose unless the city council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. The City Council has by resolution authorized the city manager and finance director to assign fund balance. The City Council may also assign fund balance. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and deferred outflows and inflows of resources and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual amounts could differ from those estimates.

Adoption of New Accounting Standards

The City adopted GASB Statement No. 101, *Compensated Absences* (GASB 101) for the year ended September 30, 2025. The new accounting guidance updates the recognition and measurement guidance for compensated absences under a unified model. Specifically, the new standard clarifies that a liability should be recorded for compensated absences that are more likely than not to be paid or otherwise settled. Additionally, it amends certain existing disclosure requirements. The adoption of GASB 101 had no impact on the City's beginning of year net position.

The City adopted GASB Statement No. 102, *Certain Risk Disclosures* (GASB 102) for the year ended September 30, 2025. The new accounting guidance requires governments to disclose information about certain concentrations or constraints that could affect services provided or the ability to meet obligations as they come due. The adoption of GASB 102 had no impact on the City's financial statements.

Future Adoption of Accounting Principles

The GASB has issued the following potentially significant statements which the City has not yet adopted, and which require adoption subsequent to September 30, 2025. The City will evaluate the potential impact on the City's financial statements.

Statement No.	Title	Adoption Required
103	*Financial Reporting Model Improvements*	September 30, 2026
104	*Disclosure of Certain Capital Assets*	September 30, 2026
105	*Subsequent Events*	September 30, 2027

Note 2. Deposits and Investments

The *Public Funds Investment Act* (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in: (1) obligations of the U. S. Treasury, certain U. S. Agencies and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers' acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The *Public Funds Investment Act* also requires the City to have independent auditors perform test procedures related to investment practices as provided by the *Public Funds Investment Act*. The City is in substantial compliance with the requirements of the *Public Funds Investment Act* and with local policies.

In compliance with the *Public Funds Investment Act*, the City has adopted a deposit and investment policy. That policy does address the following risks:

- ***Custodial Credit Risk:*** Deposits: In the case of deposits, this is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2025, the City's deposit balance was collateralized with securities held by the pledging financial institution in the City's name or covered by FDIC insurance. The balances held at financial institutions at year-end were $431,572 (with a book value of $324,125).
- ***Credit Risk:*** It is the City's policy to invest in obligations of the United States of America, its agencies, and instrumentalities, in obligations of the State of Texas and related agencies, in obligations of states, agencies, counties, cities and other political subdivisions of any state rated "A" or above by a nationally recognized investment rating firm. It is the City's policy to limit investments to investment pools with an investment quality rating no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service or no lower than investment grade by at least one nationally recognized rating service with a weighted average maturity no greater than 90 days. The City's investments in TexPool and TexSTAR were rated AAA-m by Standard and Poor's Investors Services.
- ***Interest Rate Risk:*** In accordance with the City's investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to three years or less, dependent on market conditions.
- ***Concentration of Credit Risk:*** The government's investment policy states the maximum percentage allowed for each different investment instrument that can be used to make up the portfolio.

As of September 30, 2025, the City held the following investments:

	Carrying Value
Primary Government	
Investment Pools:	
TexPool	$ 13,334,970
TexStar	380,171
Money market investments	2,339,746
Total investment pools	16,054,887
Investments:	
U.S. Treasury Securities	22,192,653
U.S. Agency Securities	7,492,620
Total investments	29,685,273
Total primary government	45,740,160
Component Unit	
Investment Pools:	
TexPool	765,854
TexStar	21,834
Money market investments	134,377
Total investment pools	922,065
Investments:	
U.S. Treasury Securities	1,274,568
U.S. Agency Securities	430,316
Total investments	1,704,884
Total component units	2,626,949
Total investments	$ 48,367,109

The maturities of investments subject to interest rate risk are as follows:

Investment Type	Less Than 1 Year	1 - 2 Years	2 - 3 Years	Total Fair Value	Weighted Average Maturity
U.S. Treasury Securities	$ 23,467,221	$ -	$ -	$ 23,467,221	0.52
U.S. Agency Securities	4,742,357	2,719,985	460,594	7,922,936	0.78
Total Interest Rate Risk Debt Securities	$ 28,209,578	$ 2,719,985	$ 460,594	$ 31,390,157	1.30

During the fiscal year, the City managed the investments of the KEDC. The KEDC investments are categorized in the same manner as the City's.

The City invests in two pools; TexStar and Texas Local Government Investment Pool (TexPool), which were created under the *Interlocal Cooperation Act*, Texas Government Code Ann. Ch. 791, and the Texas Government Code Ann. Ch. 2256. TexStar is rated AAAm and seeks to maintain a constant net asset value of $1.00. The City's investments in TexStar are reported at net asset value, while the investments in TexPool are reported at amortized cost. Money market accounts are marketable securities in active markets that have observable inputs and prices, and are reported at net asset value. Investments in the pools are considered to be cash equivalents when preparing these financial statements.

The Texas Treasury Safekeeping Trust Company (Trust) is trustee of TexPool and is a limited purpose trust company authorized pursuant to Texas Government Code Ann. Section 404.103 for which the Texas State Comptroller is the sole officer, director, and shareholder. The advisory board of TexPool is composed of members appointed pursuant to the requirements of the *Public Funds Investment Act*, Texas Government Code Ann. chapter 2256. TexStar is governed by a five-member Board of Directors comprising three government officials or employees and two other persons with expertise in public finance. Additionally, TexStar has a five-member Advisory Board. Fair value of the City's position in the pools is, in all material respects, the same as the value of the pool shares. Investment income earned on pooled cash and investments is allocated to each fund based upon each fund's weighted-average daily cash and investment balances.

Note 3. Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

The following table presents the fair value measurements of the City and its DPCU's assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2025:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment by Fair Value Level				
U.S. Treasury Securities	$ 23,467,221	$ 23,467,221	$ -	$ -
U.S. Agency Securities	7,922,936	490,360	7,432,576	-
Total investment by fair value level	31,390,157	$ 23,957,581	$ 7,432,576	$ -
Investments Measured at Net Asset Value				
Money market securities	2,474,123			
TexStar	402,005			
Investments Measured at Amortized Cost				
TexPool	14,100,824			
Total investments	$ 48,367,109			

Note 4. Receivables

Receivables as of year-end for the City's individual major funds, non-major funds in the aggregate, and discretely presented component unit, including the applicable allowances for uncollectible accounts, are as follows:

	General	Debt Service	Capital Bond	Grants	Non-major Governmental	Water and Wastewater	Non-major Storm Water Drainage	Kennedale Economic Development Corporation	Total
Receivables									
Taxes	$ 748,910	$ 66,517	$ -	$ -	$ -	$ -	$ -	$ 186,053	$ 1,001,480
Accounts	81,302	-	83,424	203,570	4,022	882,810	30,959	14,280	1,300,367
Leases	-	-	-	-	-	-	-	434,280	434,280
Court fines	1,440,902	-	-	-	-	-	-	-	1,440,902
Ambulance	2,971,096	-	-	-	-	-	-	-	2,971,096
Gross receivables	5,242,210	66,517	83,424	203,570	4,022	882,810	30,959	634,613	7,148,125
Less: allowance for uncollectibles	(4,323,082)	(42,291)	-	-	-	(108,950)	(7,184)	-	(4,481,507)
Net total receivables	$ 919,128	$ 24,226	$ 83,424	$ 203,570	$ 4,022	$ 773,860	$ 23,775	$ 634,613	$ 2,666,618

The City records unearned revenue, revenue received but not yet earned, in its governmental funds. At September 30, 2025, the City's unearned revenue related primarily to grant funding received prior to meeting all eligibility requirements totaled $25,805. The discretely presented component unit, at September 30, 2025, had unearned revenue related to funding received for services that had not yet been performed of $36,000.

Note 5. Property Taxes

Property taxes attach as an enforceable lien on property as of October 1. Taxes are levied on October 1 and are due and payable on or before January 31, of the following year. All unpaid taxes become delinquent February 1 of the following year. Tax collections for the year ended September 30, 2025, were 99% of the levy. Tarrant County bills and collects property taxes for the City. Any uncollected property taxes at September 30, that are collected within 60 days, are recognized as revenue, and recorded as taxes receivable. Any uncollected property taxes at September 30, which are not expected to be collected within 60 days, are recorded as taxes receivable and deferred inflow of resources in governmental funds. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable, and their validity seems certain.

The statutes of the state of Texas do not prescribe a legal debt limit, nor does the City's charter provide for a debt limit. However, provision of Article XI, Section 5 of the Texas Constitution applicable to cities with populations greater than 5,000 limits the ad-valorem tax rate to $2.50 per $100 assessed valuation. However, as a city operating under a Home Rule Charter, the City has a debt limit of $1.50 per $100 assessed valuation. For the year ended September 30, 2025, the City had a tax rate of $0.706190 per $100 assessed valuation, of which $0.510974 was allocated for general government and $0.195216 was allocated for the payment of principal and interest on general obligation debt.

In Texas, county-wide central appraisal districts are required to assess all property within the appraisal district on the basis of 100% of its appraised value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every three years; however, the City may, at its own expense, require annual reviews of appraised values.

The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action. Under this legislation, the City continues to set tax rates on City property.

However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the tax rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year. This legislation provides that, if approved by the qualified voters in the City, both the appraisal and collection functions may be placed with the appraisal district. In addition, the City may obtain approval from its governing body to place these functions with the appraisal district.

Note 6. Interfund Receivables, Payables, and Transfers

Due To/Due From

The composition of inter-fund balances as of September 30, 2025, is as follows:

	Payable Fund	Receivable Fund
General	$ 71,589	$ -
Library building – nonmajor	1,780	-
Roadway impact – nonmajor	-	147,972
TIRZ #1 New Hope	74,603	-
Total	$ 147,972	$ 147,972

These interfund transactions were a result of the Roadway Impact fund transferring monies to the General fund, Library Building fund, and TIRZ #1 New Hope fund for covering negative cash balances in the Library Building fund and to provide funding for certain roadway projects in the General and TIRZ #1 New Hope funds.

Interfund Transfers

Interfund activity for the year ended September 30, 2025, is as follows:

	Transfers In	Transfers Out
Debt service	$ 336,494	$ -
TIRZ #1 New Hope	79,051	228,229
Capital Bond	-	69,051
Water and wastewater	97,525	-
Non-major governmental	-	215,790
Total	$ 513,070	$ 513,070

Transfers out of the Non-major governmental funds and TIRZ #1 New Hope fund to the Debt Service fund were for debt payments. Transfers out of the Capital Bond fund to the TIRZ #1 New Hope fund were for construction costs. Transfers out of the Non-major governmental funds to the Water and Wastewater fund were for impact fees. Transfers out of the Non-major governmental funds to the TIRZ #1 New Hope fund were for incremental property tax payments. These transfers were in accordance with budgetary authorizations.

Note 7. Capital, Lease, and Subscription Assets

Governmental Activities

Capital, lease, and subscription assets of the Governmental Activities are as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities					
Capital assets not being depreciated					
Land	$ 4,206,187	$ -	$ -	$ -	$ 4,206,187
Construction in progress	4,278,658	4,060,603	-	(484,388)	7,854,873
Total capital assets not being depreciated	8,484,845	4,060,603	-	(484,388)	12,061,060
Capital, lease and subscription assets being depreciated/amortized					
Buildings	5,988,862	1,813,543	-	(1,747,084)	6,055,321
Lease equipment	113,937	-	-	-	113,937
Infrastructure	41,068,109	-	-	422,706	41,490,815
Machinery and equipment	5,319,759	507,160	121,090	61,682	5,767,511
Subscription assets	121,258	-	-	-	121,258
Total capital, lease, and subscription assets being depreciated/amortized	52,611,925	2,320,703	121,090	(1,262,696)	53,548,842
Less accumulated depreciation/amortization for:					
Buildings	3,822,442	218,682	-	-	4,041,124
Lease equipment	39,877	22,788	-	-	62,665
Infrastructure	18,457,699	933,811	-	-	19,391,510
Machinery and equipment	3,545,387	400,084	121,090	-	3,824,381
Subscription assets	10,105	40,419	-	-	50,524
Total accumulated depreciation/amortization	25,875,510	1,615,784	121,090	-	27,370,204
Total capital, lease, and subscription assets being depreciated/amortized, net	26,736,415	704,919	-	(1,262,696)	26,178,638
Governmental activities capital, lease, and subscription assets, net	$ 35,221,260	$ 4,765,522	$ -	$(1,747,084)	$ 38,239,698

Depreciation and amortization expense was charged as a direct expense to programs of the primary government as follows:

General government	$ 155,605
Public safety	398,293
Public works	959,911
Culture and recreation	101,975
Total depreciation/amortization expense – governmental activities	$ 1,615,784

Business-type Activities

Capital assets of the Business-type Activities are as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type Activities					
Capital assets not being depreciated					
Land	$ 632,490	$ -	$ -	$ -	$ 632,490
Construction in progress	100,388	145,260	-	(67,836)	177,812
Total capital assets not being depreciated	732,878	145,260	-	(67,836)	810,302
Capital assets being depreciated					
Buildings	5,803,495	-	-	1,747,084	7,550,579
Infrastructure	19,168,124	-	-	67,836	19,235,960
Machinery and equipment	763,547	-	49,522	-	714,025
Total capital assets being depreciated/amortized	25,735,166	-	49,522	1,814,920	27,500,564
Less accumulated depreciation/amortization for:					
Buildings	3,371,409	155,625	-	-	3,527,034
Infrastructure	8,439,087	473,542	-	-	8,912,629
Machinery and equipment	763,547	-	49,522	-	714,025
Total accumulated depreciation/amortization	12,574,043	629,167	49,522	-	13,153,688
Total capital assets being depreciated, net	13,161,123	(629,167)	-	1,814,920	14,346,876
Business-type activities capital assets, net	$ 13,894,001	$ (483,907)	$ -	$ 1,747,084	$ 15,157,178

Depreciation expense was charged as a direct expense to programs of the primary government as follows:

Water and wastewater	$ 608,106
Storm water drainage	21,061
Total depreciation expense – business-type activities	$ 629,167

Discretely Presented Component Unit

Capital and subscription assets activity of the discretely presented component unit for the year was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets not being depreciated					
Land	$ 1,025,948	$ -	$ -	$ -	$ 1,025,948
Total capital assets not being depreciated	1,025,948	-	-	-	1,025,948
Capital and subscription assets being depreciated/amortized					
Buildings	4,917,189	-	-	-	4,917,189
Improvements	1,137,588	-	-	-	1,137,588
Infrastructure	209,707	-	-	-	209,707
Machinery and equipment	33,554	-	-	-	33,554
Subscription assets	34,846	-	-	-	34,846
Total capital and subscription assets being depreciated/amortized	6,332,884	-	-	-	6,332,884
Less accumulated depreciation/amortization for:					
Buildings	3,122,016	245,859	-	-	3,367,875
Improvements	716,393	59,549	-	-	775,942
Infrastructure	41,442	4,194	-	-	45,636
Machinery and equipment	6,711	6,711	-	-	13,422
Subscription assets	2,904	11,615	-	-	14,519
Total accumulated depreciation/amortization	3,889,466	327,928	-	-	4,217,394
Total capital and subscription assets being depreciated/amortized, net	2,443,418	(327,928)	-	-	2,115,490
Capital and subscription assets, net	$ 3,469,366	$ (327,928)	$ -	$ -	$ 3,141,438

Note 8. Long-term Liabilities

Changes in Long-term Liabilities

The following is a summary of changes in long-term liabilities for the year ended September 30, 2025:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds payable - public offerings					
General obligation bonds	$ 2,980,000	$ -	$ 110,000	$ 2,870,000	$ 95,000
Certificates of obligation	18,190,000	-	715,000	17,475,000	755,000
Bonds payable - direct placements					
General obligation bonds	3,280,000	-	650,000	2,630,000	665,000
Tax notes	780,000	-	385,000	395,000	395,000
Lease liability	77,250	-	22,449	54,801	23,599
Subscription liability	79,134	-	38,580	40,554	40,554
Premiums on bonds	1,032,641	-	21,382	1,011,259	-
Compensated absences	687,433	-	14,428	673,005	364,944
Total governmental activities	$ 27,106,458	$ -	$ 1,956,839	$ 25,149,619	$ 2,339,097
Business-type Activities					
Bonds payable - public offerings					
Certificates of obligation	$ 14,540,000	$ -	$ 100,000	$ 14,440,000	$ 250,000
Bonds payable - direct placements					
Certificates of obligation	600,000	-	190,000	410,000	200,000
Notes payable	557,789	-	131,329	426,460	136,399
Premium on bonds	602,089	-	4,141	597,948	-
Total business-type activities	$ 16,299,878	$ -	$ 425,470	$ 15,874,408	$ 586,399
Discretely Presented Component Unit					
Revenue bonds	$ 295,000	$ -	$ 90,000	$ 205,000	$ 100,000
Texas leverage fund loan	113,506	-	54,536	58,970	58,970
Subscription liability	24,991	-	10,721	14,270	14,270
Total	$ 433,497	$ -	$ 155,257	$ 278,240	$ 173,240

General Obligation Bonds and Certificates of Obligation

The City issues general bonds and certificates of obligation to provide funds for the acquisition and construction of major capital facilities. These bonds have been issued for both governmental and business-type activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues.

General obligation bonds and certificates of obligation are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 20-year serial bonds with equal amounts of principal maturing each year. Bonds currently outstanding are as follows:

	Governmental Activities	Business-type Activities	Total Primary Government
General Obligation Bonds			
$1,260,000, 2020 General Obligation Refunding Bonds, due in annual installments through February 15, 2030, 1.93%	$ 655,000	$ -	$ 655,000
$3,720,000, 2016 General Obligation Refunding Bonds, due in annual installments through February 15, 2028, 1.79%	1,025,000	-	1,025,000
$1,540,000, 2020A General Obligation Refunding Bonds, due in annual installments through February 15, 2031, 1.22%	950,000	-	950,000
$2,980,000, 2024 General Obligation Refunding Bonds, due in annual installments through February 15, 2044, 4.00% to 5.00%	2,870,000	-	2,870,000
	$ 5,500,000	$ -	$ 5,500,000

	Governmental Activities	Business-type Activities	Total Primary Government
Certificates of Obligation			
$2,900,000, 2007 Certificate of Obligation Bonds, due in annual installments through February 15, 2027, 4.10%	$ -	$ 410,000	$ 410,000
$5,735,000 2021 Certificate of Obligation Bonds, due in annual installments through February 15, 2041, 1.50% to 4.00%	4,785,000	-	4,785,000
$17,065,000 2023 Certificate of Obligation Bonds, due in annual installments through February 15, 2043, 4.00% to 5.00%	2,275,000	14,440,000	16,715,000
$10,810,000 2024 Certificate of Obligation Bonds, due in annual installments through February 15, 2044, 4.00% to 5.00%	10,415,000	-	10,415,000
	$ 17,475,000	$ 14,850,000	$ 32,325,000

Tax notes are issued to provide funding for capital purchases and other improvements. These notes pledge the full faith and credit of the government and are payable with ad valorem revenue. Tax notes outstanding are as follows:

	Governmental Activities	Business-type Activities	Total Primary Government
Tax Notes			
$2,000,000, 2019 Tax Notes due in annual installments through February 1, 2026, 1.90%	$ 395,000	$ -	$ 395,000
	$ 395,000	$ -	$ 395,000

Annual debt service requirements to maturity for bonds are as follows:

Governmental Activities

Fiscal Year	Bonds Payable - Public Offerings			Bonds Payable - Direct Placements		
	Principal	Interest	Total	Principal	Interest	Total
2026	$ 850,000	$ 779,237	$ 1,629,237	$ 665,000	$ 36,982	$ 701,982
2027	825,000	740,062	1,565,062	600,000	26,365	626,365
2028	865,000	700,612	1,565,612	610,000	16,237	626,237
2029	910,000	659,637	1,569,637	290,000	8,880	298,880
2030	950,000	616,663	1,566,663	300,000	4,322	304,322
2031-2035	5,210,000	2,476,261	7,686,261	165,000	1,007	166,007
2036-2040	6,175,000	1,446,838	7,621,838	-	-	-
2041-2045	4,560,000	345,437	4,905,437	-	-	-
Total	$ 20,345,000	$ 7,764,747	$ 28,109,747	$ 2,630,000	$ 93,793	$ 2,723,793

Business-Type Activities

Fiscal Year	Bonds Payable - Public Offerings			Bonds Payable - Direct Placements		
	Principal	Interest	Total	Principal	Interest	Total
2026	$ 250,000	$ 639,319	$ 889,319	$ 200,000	$ 12,710	$ 212,710
2027	350,000	624,319	974,319	210,000	4,305	214,305
2028	595,000	600,693	1,195,693	-	-	-
2029	625,000	573,319	1,198,319	-	-	-
2030	650,000	544,569	1,194,569	-	-	-
2031-2035	3,795,000	2,185,969	5,980,969	-	-	-
2036-2040	4,795,000	1,188,894	5,983,894	-	-	-
2041-2045	3,380,000	210,271	3,590,271	-	-	-
Total	$ 14,440,000	$ 6,567,353	$ 21,007,353	$ 410,000	$ 17,015	$ 427,015

General obligation bonds are subject to the provisions of the Internal Revenue Code of 1986 related to arbitrage and interest income tax regulations under those provisions.

The various bond obligations contain certain financial limitations and restrictions. The ordinances authorizing the issuance of certificates of obligation bonds created an interest and sinking fund (general debt service fund). The ordinances require the City to ascertain a rate and amount of tax which will be sufficient to pay interest as it comes due and provide a reserve fund which is adequate to meet principal as it matures. The City is in compliance with all such significant financial restrictions.

The compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund.

Annual debt service requirements to maturity for tax notes are as follows:

Fiscal Year	Governmental Activities		
	Principal	Interest	Total
2026	$ 395,000	$ 3,752	$ 398,752
Total	$ 395,000	$ 3,752	$ 398,752

Notes Payable

In 2021, the City of Arlington, Texas (Arlington) took over the billing of the City's utility services. As part of this agreement, Arlington removed existing water meters that were originally a part of a capital lease. The City no longer has the meters, but is indebted for the remaining balance under the original agreement, which expires in fiscal year 2028 and has an interest rate of 3.30%.

The maturity of the City's liability related to the previous agreement is as follows:

Fiscal Year	Business-Type Activities		
	Principal	Interest	Total
2026	$ 136,399	$ 16,414	$ 152,813
2027	141,664	11,149	152,813
2028	148,397	5,680	154,077
Total	$ 426,460	$ 33,243	$ 459,703

Lease Liability

The City's general fund has a lease agreement for a copy machine, the term of which expires in 2028. During the fiscal year ended September 30, 2025, the City recognized rental expense of approximately $3,353 for the year ended September 30, 2025, for variable payments related to management fees, not previously included in the measurement of the lease liability.

The following is a schedule by year of payments under the leases as of September 30, 2025:

Year Ending September 30,	Principal	Interest	Total
2026	$ 23,599	$ 2,204	$ 25,803
2027	24,805	997	25,802
2028	6,397	54	6,451
	$ 54,801	$ 3,255	$ 58,056

Annual debt service requirements to maturity for the revenue bonds and loan of the KEDC are as follows:

Fiscal Year	Governmental Activities		
	Principal	Interest	Total
2026	$ 158,970	$ 16,752	$ 175,722
2027	105,000	7,298	112,298
Total	$ 263,970	$ 24,050	$ 288,020

The following is a summary of pledged revenues for KEDC for the year ended September 30, 2025:

Revenue Pledged	Total Revenue Pledged	Current Year Debt Service Requirements	Percentage Portion of Revenue Stream	Remaining Principal and Interest	Period Revenue Will not be Available for Other Purposes
.05% sales and use tax	$ 1,029,007	$ 170,816	16.60%	$ 288,020	Until 2027

Subscription Liabilities

The City and the KEDC have subscription IT arrangements to assist in conducting operations, the terms of which expire in 2027. The measurement of the subscription liabilities is based on the present value of subscription payments expected to be paid during the subscription term, such as fixed payments, variable payments, that depend on an index or index rate, variable paymens that are fixed in substance, residual value guarantee payments that are fixed in substance, and any subscription incentives payable.

At September 30, 2025, the value of the subscription liabilities was $40,554 and $14,270 for the City and KEDC, respectively. An incremental borrowing rate of 5 percent was used to measure subscription liabilities. The value of the right-to-use subscription assets as of September 30, 2025, was $121,258 and $34,846, and had accumulated amortization of $(50,524) and $(14,519), for the City and the KEDC, resepectively.

During the fiscal year ended September 30, 2025, the City and KEDC recognized approximately $4,049 and $1,279, respectively, for variable payments within its subscription arrangements.

The maturity of the City's liability related to the subscription IT arrangements as of September 30, 2025 is as follows:

Fiscal Year	Governmental Activities		
	Principal	Interest	Total
2026	$ 40,554	$ 2,075	$ 42,629
Total	$ 40,554	$ 2,075	$ 42,629

The maturity of the KEDC's liability related to the subscription IT arrangements as of September 30, 2025 is as follows:

Fiscal Year	Governmental Activities		
	Principal	Interest	Total
2026	$ 14,270	$ 730	$ 15,000
Total	$ 14,270	$ 730	$ 15,000

Note 9. Employee Benefit Plans

Plan Description

The City participates as one of over 900 plans in the defined benefit cash-balance pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of the System with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at www.tmrs.com.

All eligible employees of the City are required to participate in TMRS.

A summary of plan provisions for the City are as follows:

Deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5 years
Service retirement eligibility	20 years at any age, 5 years at age 60 and above
Updated service credit	100% Repeating
Annuity increase (to retirees)	70% of CPI Repeating

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the Member's benefit is calculated based on the sum of the Member's contributions, with interest, and the city-financed monetary credits with interest. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total Member contributions and interest.

At the December 31, 2024, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	77
Inactive employees entitled to but not yet receiving benefits	138
Active employees	72
	287

Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry-Age Normal (EAN) actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 15.72% and 16.85% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for the year ended September 30, 2025, were $995,080, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2024, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2024, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.25% per year
Investment rate of return	6.75% net of pension plan investment expense, including inflation
Asset valuation method	10 year smoothed market; 12% soft corridor
Retirement age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplies by 105%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a four-year set-forward for males and a three-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate is applied for males and females, respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale MP-2021 to account for future mortality improvements subject to the 3.5% and 3% floor.

Actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023, actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of the expected return for each major asset class in fiscal year 2025 are summarized by the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	35.00%	7.10%
Core Fixed Income	6.00%	5.00%
Non-Core Fixed Income	6.00%	6.80%
Hedge Funds	5.00%	6.40%
Private Equity	13.00%	8.50%
Provate Debt	13.00%	8.20%
Real Estate	12.00%	6.70%
Infrastructure	6.00%	6.00%
Other Private Markets	4.00%	7.30%
Total	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the rates specified in the statue. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability(a) - (b)
Balances as of October 1, 2024	$ 25,669,492	$ 22,122,902	$ 3,546,590
Changes for the year			
Service cost	1,074,605	-	1,074,605
Interest on total pension liability	1,739,165	-	1,739,165
Effect of difference in expected and actual experience	233,167	-	233,167
Effect of assumptions changes or inputs	-	-	-
Benefit payments	(882,785)	(882,785)	-
Administrative expenses	-	(14,742)	14,742
Member contributions	-	402,259	(402,259)
Net investment income	-	2,302,805	(2,302,805)
Employer contributions	-	903,357	(903,357)
Other	-	(346)	346
Net changes	2,164,152	2,710,548	(546,396)
Balances as of September 30, 2025	$ 27,833,644	$ 24,833,450	$ 3,000,194

The net pension liability is recorded only in governmental activities, as business-type activities have no personnel. The net pension liability will be liquidated primarily by the General Fund.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75)%	Current Single Rate Assumption (6.75%)	1% Increase (7.75)%
City's net pension liability	$ 7,436,950	$ 3,000,194	$ (562,517)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately issued TMRS financial report. That report may be obtained at www.tmrs.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2025, the primary government recognized pension expense of $1,216,412. At September 30, 2025, the primary government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 167,476	$ -
Changes in assumptions	-	262,019
Net difference between projected and actual investment earnings	-	11,415
Contributions subsequent to the measurement date	736,033	-
	$ 903,509	$ 273,434

$736,033 reported as deferred outflows of resources, related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2026. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30	Amortization of Net Deferred Outflows (Inflows) of Resources
2026	$ 142,646
2027	265,038
2028	(351,741)
2029	(161,901)
	$ (105,958)

Deferred Compensation Plan

The City offers all of its employees a defined contribution, deferred compensation plan created in accordance with Internal Revenue Code Section 457(b). The plan offered to employees is administered by ICMA Trust. All assets and income are held in trust for the exclusive benefit of participants and their beneficiaries; therefore, it is not reported in the financial statements.

The plan, available to all full-time City employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Benefit provisions are contained in the plan document and were established and can be amended by the action of City Council. The City does not contribute to the plan.

Note 10 Other Postemployment Benefits

Supplemental Death Benefit Fund

The City also participates in the single-employer defined benefit OPEB plan providing group-term life which is operated by the Texas Municipal Retirement System (TMRS) and is known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for $7,500; this coverage is an "other postemployment benefit," or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75).

The following employees were covered by the benefit terms at December 31, 2024, (measurement date):

Inactive employees or beneficiaries currently receiving benefits	38
Inactive employees entitled to but not yet receiving benefits	15
Active employees	72
Total employees	125

Total OPEB Liability

The City's total OPEB liability of $217,510 was measured as of December 31, 2024, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The City's total OPEB liability in the December 31, 2024, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	December 31, 2024
Discount Rate	4.08% as of December 31, 2024 (3.77% as of December 31, 2023)
Inflation	2.50%
Salary Increases	3.60% to 11.85%, including inflation
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of GASB Statement No. 68.
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate covergence) to account for future mortality improvements subject to the floor.

Discount Rate

The TMRS SDBF is treated as unfunded OPEB plan because the SDBF trust covers both actives and retirees, and the assets are not segregated for these groups. Under GASB 75 (paragraph 155), the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 4.08% based on the 20-Year Municipal GO AA Index published by bondbuyer.com is used as of the measurement date of December 31, 2024.

Changes in Total OPEB Liability

	Total OPEB Liability
Balances as of October 1, 2024	$ 219,877
Changes for the year	
Service cost	10,918
Interest on total OPEB liability	8,354
Difference between expected and actual experience	(2,513)
Effect of assumption changes (discount rate change)	(11,655)
Benefit payments, age adjusted premiums, net of retiree contributions	(7,471)
Balances as of September 30, 2025	$ 217,510

The total OPEB liability attributable to the governmental activities will be liquidated primarily by the General Fund.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The total OPEB liability of the City has been calculated using a discount rate of 4.08%. The following presents the total OPEB liability using a discount rate one percent higher and one percent lower than the current discount rate.

	1% Decrease 3.08%	Current Discount Rate 4.08%	1% Increase 5.08%
Total OPEB Liability	$ 258,659	$ 217,510	$ 185,237

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2025, the City recognized OPEB expense of $6,892. At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,364	$ 8,824
Changes in actuarial assumptions	13,798	54,055
Benefit payments subsequent to the measurement date	11,794	-
	$ 26,956	$ 62,879

Benefit payments subsequent to the measurement date and before fiscal year-end will be recognized as a reduction of the total OPEB liability in the year ending September 30, 2026.

Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending September 30	Amortization of Net Deferred Outflows (Inflows) of Resources
2026	$ (18,604)
2027	(22,598)
2028	(3,799)
2029	(2,716)
	$ (47,717)

Note 11. Commitments and Contingencies

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City's risk management program encompasses obtaining property and liability insurance through Texas Municipal League (TML), an Intergovernmental Risk-Pool. The City has not had any significant reduction in insurance coverage and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years. The participation of the City in TML is limited to payment of premiums. During the year ended September 30, 2025, the City paid premiums to TML for provisions of various liability, property, and casualty insurance. The City has various deductible amounts ranging from $0 to $2,000 on various policies. At year-end, the City did not have any significant claims.

The City also provides workers' compensation insurance on its employees through TML. Workers' compensation is subject to change when audited by TML. At year-end, September 30, 2025, the City believed the amounts paid on workers' compensation would not change significantly from the amounts recorded.

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Note 12. Tax Abatements

As of September 30, 2025, the City offers tax incentives under Chapter 380 of the Texas Local Government Code. Chapter 380 of the Local Government Code authorizes municipalities to offer incentives designed to promote economic development such as commercial and retail projects. Specifically, it provides for offering loans and grants of city funds or services to promote state and local economic development and to stimulate business and commercial activity. There are no other economic development programs that provide for tax incentives currently offered by the City of Kennedale.

In 1987, Texas voters approved a constitutional amendment allowing for public expenditures to support economic development activities. The amendment explicitly provides for programs that use public funds for the purposes of development and diversification of the state's economy. Then in 1989, Chapter 380 of the Local Government code greatly expanded this by enabling municipalities to also engage in using public funds to support economic development. Chapter 380 agreements do not require a year limit and allows municipalities to provide monies, loans, city personnel, and city services for the promotion and encouragement of economic development.

Although Chapter 380 provides for broad use of city resources, the City closely evaluates each proposed 380 agreement on a case-by-case basis. The City typically places a hard cap on years and financial support, whichever occurs first. The years and financial caps are negotiated in each distinct agreement.

The City has one active 380 agreement covering retail and business services. The tax incentives used in negotiations included sales taxes. Under the 380 agreement, the tax incentive is considered a "tax sharing" agreement. This means that no taxes are actually abated, rather all taxes must be paid in full to the City and the City will provide a payment to the entity each year equal to the amount authorized in the respective contract. Through sharing revenue under chapter 380, the City is able to verify that the entity has completed their requirements as outlined in their contract.

In fiscal year 2025, the City of Kennedale rebated (abated) $376,701 in sales taxes to Quick Roofing, LLC. This included a percentage of sales taxes abated of 85%.

Required Supplementary Information

City of Kennedale, Texas
Schedule of Changes in the City's Net Pension Liability and Related Ratios
Texas Municipal Retirement System (Unaudited)

	Measurement Year			
	2015	2016	2017	2018
Total Pension Liability				
Service cost	$ 648,581	$ 675,284	$ 697,041	$ 712,721
Interest (on the Total Pension Liability)	865,430	912,020	989,009	1,071,891
Differences between expected and actual experience	(168,052)	(109,980)	(52,740)	(205,171)
Changes in assumptions	113,774	-	-	-
Benefit payments, including refunds of employee contributions	(320,705)	(329,210)	(366,034)	(460,511)
Net change in total pension liability	1,139,028	1,148,114	1,267,276	1,118,930
Total pension liability – Beginning	12,199,345	13,338,373	14,486,487	15,753,763
Total pension liability – Ending (a)	$ 13,338,373	$ 14,486,487	$ 15,753,763	$ 16,872,693
Plan Fiduciary Net Position				
Contributions – employer	$ 525,561	$ 540,075	$ 565,061	$ 558,900
Contributions – employee	254,774	265,860	276,603	279,969
Net investment income	15,487	740,899	1,687,364	(429,406)
Benefit payments, including refunds of employee contributions	(320,705)	(329,210)	(366,034)	(460,511)
Administrative expense	(9,432)	(8,365)	(8,740)	(8,292)
Other	(466)	(451)	(443)	(432)
Net change in plan fiduciary net position	465,219	1,208,808	2,153,811	(59,772)
Plan fiduciary net position – Beginning	10,494,646	10,959,865	12,168,673	14,322,484
Plan fiduciary net position – Ending (b)	$ 10,959,865	$ 12,168,673	$ 14,322,484	$ 14,262,712
City's net pension liability – Ending (a) – (b)	$ 2,378,508	$ 2,317,814	$ 1,431,279	$ 2,609,981
Plan fiduciary net position as a percentage of the total pension liability	82.17%	84.00%	90.91%	84.53%
Covered payroll	$ 3,639,622	$ 3,797,997	$ 3,951,478	$ 3,999,556
City's net pension liability as a percentage of covered payroll	65.35%	61.03%	36.22%	65.26%

Note: The information in this schedule has been determined as of the measurement date (December 31) of the City's net pension liability and is intended to show information for ten years.

Measurement Year						
2019	**2020**	**2021**	**2022**	**2023**	**2024**
$ 734,380	$ 769,790	$ 880,878	$ 800,930	$ 918,672	$ 1,074,605
1,144,812	1,231,286	1,353,316	1,475,741	1,598,626	1,739,165
(90,293)	369,096	457,263	376,038	476,470	233,167
15,333	-	-	-	(138,271)	-
(559,415)	(522,263)	(713,470)	(962,093)	(820,027)	(882,785)
1,244,817	1,847,909	1,977,987	1,690,616	2,035,470	2,164,152
16,872,693	18,117,510	19,965,419	21,943,406	23,634,022	25,669,492
$ 18,117,510	$ 19,965,419	$ 21,943,406	$ 23,634,022	$ 25,669,492	$ 27,833,644
$ 580,085	$ 591,844	$ 666,382	$ 649,686	$ 740,399	$ 903,357
295,491	305,299	348,370	329,037	360,668	402,259
2,207,757	1,274,858	2,404,252	(1,543,508)	2,271,207	2,302,805
(559,415)	(522,263)	(713,470)	(962,093)	(820,027)	(882,785)
(12,459)	(8,239)	(11,108)	(13,334)	(14,421)	(14,742)
(375)	(321)	77	15,912	(101)	(346)
2,511,084	1,641,178	2,694,503	(1,524,300)	2,537,725	2,710,548
14,262,712	16,773,796	18,414,974	21,109,477	19,585,177	22,122,902
$ 16,773,796	$ 18,414,974	$ 21,109,477	$ 19,585,177	$ 22,122,902	$ 24,833,450
$ 1,343,714	$ 1,550,445	$ 833,929	$ 4,048,845	$ 3,546,590	$ 3,000,194
92.58%	92.23%	96.20%	82.87%	86.18%	89.22%
$ 4,177,363	$ 4,361,416	$ 4,976,712	$ 4,553,327	$ 5,152,395	$ 5,746,551
32.17%	35.55%	16.76%	88.92%	68.83%	52.21%

City of Kennedale, Texas
Schedule of Contributions
Texas Municipal Retirement System (Unaudited)

	Fiscal Year			
	2016	2017	2018	2019
Actuarially determined contribution	$ 555,231	$ 560,038	$ 566,892	$ 586,411
Contributions in relation to the actuarially determined contribution	555,231	560,038	566,892	586,411
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 3,932,717	$ 3,919,319	$ 4,058,043	$ 4,232,531
Contributions as a percentage of covered payroll	14.12%	14.29%	13.97%	13.85%

Notes to Schedule:

Valuation Date:	Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	20 Years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85%, including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Other Information:

Notes	There were no benefit changes during the year.

Fiscal Year						
2020	2021	2022	2023	2024	2025
$ 640,350	$ 686,761	$ 624,339	$ 718,649	$ 861,691	$ 995,080
640,350	686,761	624,339	718,649	861,691	995,080
$ -	$ -	$ -	$ -	$ -	$ -
$ 4,636,444	$ 4,885,183	$ 4,468,337	$ 4,952,043	$ 5,611,406	$ 6,016,028
13.81%	14.06%	13.97%	14.51%	15.36%	16.54%

City of Kennedale, Texas
Schedule of Changes in the City's Total OPEB Liability and Related Ratios
Supplemental Death Benefit Fund (Unaudited)

	Measurement Year			
	2017	**2018**	**2019**	**2020**
Total OPEB Liability				
Service cost	$ 16,201	$ 17,998	$ 14,203	$ 19,626
Interest cost	5,260	5,765	6,271	6,105
Difference between expected and actual experience of the total OPEB liability	-	(13,157)	(6,021)	(7,744)
Changes of assumptions	13,846	(12,621)	37,090	36,148
Benefit payments	(1,185)	(1,200)	(1,253)	(1,308)
Net change in total OPEB liability	34,122	(3,215)	50,290	52,827
Total OPEB Liability (Beginning)	131,652	165,774	162,559	212,849
Total OPEB Liability (Ending)	$ 165,774	$ 162,559	$ 212,849	$ 265,676
Covered-employee payroll	$ 3,951,478	$ 3,999,556	$ 4,177,363	$ 4,361,416
Total OPEB liability as a percentage of covered-employee payroll	4.20%	4.06%	5.10%	6.09%

Notes to Schedule:

Changes of benefit term: None

Changes of assumption:

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2017	3.78%
2018	3.71%
2019	2.75%
2020	2.00%
2021	1.84%
2022	4.05%
2023	3.77%
2024	4.08%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available. Information has been determined as of the City's measurement date (December 31).

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75 to pay related benefits.

Measurement Year			
2021	2022	2023	2024
$ 21,400	$ 15,937	$ 9,274	$ 10,918
5,483	5,668	8,444	8,354
4,520	(1,495)	(9,036)	(2,513)
9,963	(109,936)	11,196	(11,655)
(4,479)	(5,009)	(7,729)	(7,471)
36,887	(94,835)	12,149	(2,367)
265,676	302,563	207,728	219,877
$ 302,563	$ 207,728	$ 219,877	$ 217,510
$ 4,976,712	$ 4,553,327	$ 5,152,395	$ 5,746,551
6.08%	4.56%	4.27%	3.79%

City of Kennedale, Texas
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget to Actual (Unaudited)
General Fund
For the Year Ended September 30, 2025

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes:				
Property	$ 6,209,872	$ 6,209,872	$ 6,456,313	$ 246,441
Sales	2,391,591	2,391,591	3,088,581	696,990
Franchise fees	-	-	489,770	489,770
Licenses and permits	450,000	450,000	348,389	(101,611)
Fines and forfeitures	1,047,915	1,047,915	332,349	(715,566)
Public safety fees	-	-	350,335	350,335
Intergovernmental	165,000	165,000	694,571	529,571
Charges for service	292,000	292,000	154,546	(137,454)
Investment earnings	6,959	6,959	288,551	281,592
Other	370,300	370,300	145,725	(224,575)
Total revenues	10,933,637	10,933,637	12,349,130	1,415,493
Expenditures				
Current:				
General government	2,554,819	2,689,682	2,326,948	362,734
Public safety	7,306,191	7,401,191	7,474,273	(73,082)
Public works	2,205,734	2,255,734	770,885	1,484,849
Culture and recreation	715,936	715,936	680,882	35,054
Capital outlay	-	-	374,866	(374,866)
Debt service:				
Principal	-	-	61,029	(61,029)
Interest and other	-	-	7,402	(7,402)
Total expenditures	12,782,680	13,062,543	11,696,285	1,366,258
Excess (deficiency) of revenues over (under) expenditures	(1,849,043)	(2,128,906)	652,845	2,781,751
Other Financing Sources				
Proceeds from sale of assets	-	-	43,600	43,600
Total other financing sources	-	-	43,600	43,600
Net Change in Fund Balances	(1,849,043)	(2,128,906)	696,445	2,825,351
Fund Balances, Beginning of Year	4,306,342	4,306,342	4,306,342	-
Fund Balances, End of Year	$ 2,457,299	$ 2,177,436	$ 5,002,787	$ 2,825,351

Budgets and Budgetary Accounting

The City follows these procedures annually in establishing the budgetary data reflected in the budgetary comparison schedules:

1. Prior to the beginning of each fiscal year, the City Manager submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at which all interested persons' comments concerning the budget are heard.
3. The budget is legally enacted by the City Council through passage of an ordinance prior to the beginning of the fiscal year.
4. Expenditures may not legally exceed appropriations at the division level for legally adopted operating budgets. The City Manager has the authority to transfer appropriation balances from one department, the primary subunits of each fund, or division and the primary subunit of each department, to another within a single fund of the City. Department heads may approve amendments of amounts between line items within a division so long as the transfers do not significantly change the work program contemplated in the approved budget.
5. Annual budgets are adopted for the General and Debt Service Funds. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. The budgetary data presented has been amended from the original budget by the City Council.

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Combining and Individual Fund Statements and Schedules (Unaudited)

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City of Kennedale, Texas
Non-major Governmental Funds
September 30, 2025

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Law Enforcement Officer Standards and Education (LEOSE) – to account for grant revenue that is legally restricted to expenditures for LEOSE program.

Police Seizure – to account for funds forfeited from and by federal, state and/or city civil and/or criminal courts, resulting from seizures of assets of narcotics violators.

Hotel Motel Fund – to account for funds received from the occupancy tax collected from hotels and motels. These funds are restricted by law for specified purposes.

Capital Projects Funds

The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of general major capital facilities. Financing is provided primarily by the sale of general obligation bonds and developer contributions.

Park Dedication – to account for the acquisition, improvement and maintenance of park areas funded by neighborhood park land dedication fees.

Capital Projects – to account for various constructions within the city from funds contributed by third parties.

Roadway Impact Fee – to account for the assessments to developers on projects identified in the roadway impact fee study that was adopted by the City Council on May 9, 2002.

Library Building – to account for the construction of a new library from funds contributed by third parties.

City of Kennedale, Texas
Combining Balance Sheet
Governmental Funds - Nonmajor
September 30, 2025

	Special Revenue Funds			Capital Projects
	LEOSE	Police Seizure	Hotel Motel	Park Dedication
Assets				
Cash, cash equivalents, and investments	$ 1,889	$ 5,394	$ 93,153	$ 269,869
Receivables (net of allowance for uncollectibles)	-	-	4,022	-
Due from other funds	-	-	-	-
Total assets	$ 1,889	$ 5,394	$ 97,175	$ 269,869
Liabilities and Fund Balances (Deficit)				
Liabilities				
Due to other funds	$ -	$ -	$ -	$ -
Total liabilities	-	-	-	-
Fund Balances (Deficit)				
Restricted for:				
Capital projects	-	-	-	-
Tourism	-	-	97,175	-
Public safety	1,889	5,394	-	-
Assigned:				
Parks	-	-	-	269,869
Unassigned (deficit)	-	-	-	-
Total fund balances (deficit)	1,889	5,394	97,175	269,869
Total liabilities and fund balances (deficit)	$ 1,889	$ 5,394	$ 97,175	$ 269,869

Capital Projects			Total Nonmajor Governmental Fund
Capital Projects	Roadway Impact Fee	Library Building	
$ 301,173	$ 209,916	$ 1,020	$ 882,414
-	-	-	4,022
-	147,972	-	147,972
$ 301,173	$ 357,888	$ 1,020	$ 1,034,408
$ -	$ -	$ 1,780	$ 1,780
-	-	1,780	1,780
301,173	357,888	-	659,061
-	-	-	97,175
-	-	-	7,283
-	-	-	269,869
-	-	(760)	(760)
301,173	357,888	(760)	1,032,628
$ 301,173	$ 357,888	$ 1,020	$ 1,034,408

City of Kennedale, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds - Nonmajor
Year Ended September 30, 2025

	Special Revenue Funds			Capital Projects Funds
	LEOSE	Police Seizure	Hotel Motel	Park Dedication
Revenues				
Occupancy taxes	$ -	$ -	$ 17,223	$ -
Licenses and permits	-	-	-	3,600
Intergovernmental	1,602	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	89	1,005	4,907	14,172
Miscellaneous	-	10,063	12,110	346
Total revenues	1,691	11,068	34,240	18,118
Expenditures				
Current:				
Public safety	2,030	-	-	-
Public works	-	11,952	-	-
Culture and recreation	-	-	27,990	-
Capital outlay	-	10,500	-	27,561
Total expenditures	2,030	22,452	27,990	27,561
Excess (Deficiency) of Revenues Over (Under) Expenditures	(339)	(11,384)	6,250	(9,443)
Other Financing Uses				
Transfers out	-	-	-	-
Total other financing uses	-	-	-	-
Net Change in Fund Balances	(339)	(11,384)	6,250	(9,443)
Fund Balances (Deficit), Beginning of Year	2,228	16,778	90,925	279,312
Fund Balances (Deficit), End of Year	$ 1,889	$ 5,394	$ 97,175	$ 269,869

Capital Projects Funds			
Capital Projects	Roadway Impact Fee	Library Building	Total Nonmajor Governmental Fund
$ -	$ -	$ -	$ 17,223
-	30,121	-	33,721
-	-	-	1,602
165,235	-	-	165,235
-	-	353	353
14,612	12,147	40	46,972
-	-	-	22,519
179,847	42,268	393	287,625
-	-	-	2,030
-	6,498	-	18,450
-	-	-	27,990
-	-	-	38,061
-	6,498	-	86,531
179,847	35,770	393	201,094
(108,265)	(107,525)	-	(215,790)
(108,265)	(107,525)	-	(215,790)
71,582	(71,755)	393	(14,696)
229,591	429,643	(1,153)	1,047,324
$ 301,173	$ 357,888	$ (760)	$ 1,032,628

City of Kennedale, Texas
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Debt Service Fund
For the Year Ended September 30, 2025

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes - property	$ 2,387,462	$ 2,387,462	$ 2,460,199	$ 72,737
Intergovernmental	138,848	138,848	138,847	(1)
Investment earnings	43,985	43,985	54,996	11,011
Total revenues	2,570,295	2,570,295	2,654,042	83,747
Expenditures				
Debt service:				
Principal	1,644,125	1,644,125	1,860,000	(215,875)
Interest and other fiscal charges	959,645	959,645	881,177	78,468
Total expenditures	2,603,770	2,603,770	2,741,177	(137,407)
Excess (deficiency) of revenues over (under) expenditures	(33,475)	(33,475)	(87,135)	(53,660)
Other Financing Sources (Uses)				
Transfers in	336,494	336,494	336,494	-
Total other financing sources (uses)	336,494	336,494	336,494	-
Net Change in Fund Balances	303,019	303,019	249,359	(53,660)
Fund Balances, Beginning of Year	947,981	947,981	947,981	-
Fund Balances, End of Year	$ 1,251,000	$ 1,251,000	$ 1,197,340	$ (53,660)

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Statistical Section
(Unaudited)

Statistical Section
(Unaudited)

This part of the City of Kennedale's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the government's overall financial health.

Contents Tables

Financial Trends A – D

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity E – G

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity H – K

These schedules present information to help the reader assess the affordability of the government's current level of outstanding debt and he government's ability to issue additional debt in the future.

Economic and Demographic Indicators L – M

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information N – P

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

City of Kennedale, Texas
Table A - Net Position by Component
Accrual Basis of Accounting
Last Ten Fiscal Years (Unaudited)

	2016	2017	2018	2019
Governmental Activities				
Net investment in capital assets	$ 24,048,321	$ 24,362,252	$ 24,410,280	$ 27,195,004
Restricted	400,170	481,742	867,754	998,047
Unrestricted	689,620	457,818	454,903	(2,450,204)
Total governmental activities net position	$ 25,138,111	$ 25,301,812	$ 25,732,937	$ 25,742,847
Business-type Activities				
Net investment in capital assets	$ 13,054,176	$ 13,238,962	$ 13,310,004	$ 13,397,767
Restricted	-	204,223	274,043	92,694
Unrestricted	655,058	1,644,150	2,103,785	2,670,080
Total business-type activities net position	$ 13,709,234	$ 15,087,335	$ 15,687,832	$ 16,160,541
Primary Government				
Net investment in capital assets	$ 37,102,497	$ 37,601,214	$ 37,720,284	$ 40,592,771
Restricted	400,170	685,965	1,141,797	1,090,741
Unrestricted	1,344,678	2,101,968	2,558,688	219,876
Total primary governmental net position	$ 38,847,345	$ 40,389,147	$ 41,420,769	$ 41,903,388

2020	2021	2022	2023	2024	2025
$ 25,002,224	$ 25,697,075	$ 26,469,802	$ 26,548,461	$ 28,095,130	$ 28,064,962
3,447,408	3,770,054	1,817,752	2,518,064	1,799,661	4,152,170
(1,546,077)	(722,995)	1,198,194	1,582,423	2,259,681	2,907,601
$ 26,903,555	$ 28,744,134	$ 29,485,748	$ 30,648,948	$ 32,154,472	$ 35,124,733
$ 13,173,241	$ 12,898,376	$ 13,041,116	$ 13,159,202	$ 13,275,187	$ 14,476,680
-	218,327	294,597	242,734	207,371	161,899
3,233,259	4,075,192	3,090,961	2,684,657	3,135,468	3,989,410
$ 16,406,500	$ 17,191,895	$ 16,426,674	$ 16,086,593	$ 16,618,026	$ 18,627,989
$ 38,175,465	$ 38,595,451	$ 39,510,918	$ 39,707,663	$ 41,370,317	$ 42,541,642
3,447,408	3,988,381	2,112,349	2,760,798	2,007,032	4,314,069
1,687,182	3,352,197	4,289,155	4,267,080	5,395,149	6,897,011
$ 43,310,055	$ 45,936,029	$ 45,912,422	$ 46,735,541	$ 48,772,498	$ 53,752,722

City of Kennedale, Texas
Table B - Changes in Net Position
Accrual Basis of Accounting
Last Ten Fiscal Years (Unaudited)

	Fiscal Year				
	2016	2017	2018	2019	2020
Expenses					
Governmental activities					
General government	$ 1,340,991	$ 1,460,659	$ 1,526,536	$ 1,979,235	$ 2,105,441
Public safety	4,658,016	4,494,080	4,680,243	5,213,493	4,950,888
Public works	1,838,124	1,743,770	1,615,294	1,737,211	1,815,849
Culture and recreation	370,519	397,477	436,270	372,805	420,777
Interest and fiscal charges	521,675	348,741	403,223	349,118	265,057
Total governmental activities expenses	8,729,325	8,444,727	8,661,566	9,651,862	9,558,012
Business-type activities					
Water, wastewater, and storm water drainage	3,506,506	3,271,916	4,558,939	4,089,637	4,263,029
Total business-type activities expenses	3,506,506	3,271,916	4,558,939	4,089,637	4,263,029
Total primary government expenses	$ 12,235,831	$ 11,716,643	$ 13,220,505	$ 13,741,499	$ 13,821,041
Program Revenues					
Governmental activities					
Charges for services					
General government	$ 540,893	$ 457,595	$ 709,603	$ 630,969	$ 748,228
Public safety	515,906	353,139	547,621	486,937	577,428
Public works	150,936	92,502	143,445	127,549	151,253
Culture and recreation	164,817	49,410	76,621	68,131	80,792
Operating grants and contributions	126,520	145,560	152,588	154,825	344,278
Capital grants and contributions	2,595,371	154,819	-	-	-
Total governmental activities program revenues	$ 4,094,443	$ 1,253,025	$ 1,629,878	$ 1,468,411	$ 1,901,979

Fiscal Year				
2021	2022	2023	2024	2025
$ 1,852,414	$ 2,156,521	$ 2,377,029	$ 2,516,232	$ 2,689,791
6,244,588	5,916,631	6,733,488	7,450,881	8,012,668
1,938,720	1,870,100	2,306,021	2,324,535	2,172,296
393,212	411,125	546,019	602,906	862,979
331,754	404,756	304,739	681,480	849,057
10,760,688	10,759,133	12,267,296	13,576,034	14,586,791
4,321,340	5,782,249	5,499,345	6,493,745	7,184,047
4,321,340	5,782,249	5,499,345	6,493,745	7,184,047
$ 15,082,028	$ 16,541,382	$ 17,766,641	$ 20,069,779	$ 21,770,838
$ 1,330,239	$ 831,242	$ 726,997	$ 813,119	$ 676,926
1,026,555	641,493	561,043	627,506	522,402
268,906	168,035	146,962	164,371	136,840
143,636	89,755	78,498	87,797	73,091
482,486	140,941	592,540	650,302	679,392
-	-	-	-	958,657
$ 3,251,822	$ 1,871,466	$ 2,106,040	$ 2,343,095	$ 3,047,308

City of Kennedale, Texas
Table B - Changes in Net Position (Continued)
Accrual Basis of Accounting
Last Ten Fiscal Years (Unaudited)

	Fiscal Year				
	2016	2017	2018	2019	2020
Business-type Activities					
Charges for services					
Water, wastewater, and storm water drainage	$ 4,782,055	$ 5,086,486	$ 4,832,378	$ 4,467,770	$ 4,482,591
Capital grants and contributions	1,479,937	374,296	325,676	51,247	10,099
Total business-type activities program revenues	6,261,992	5,460,782	5,158,054	4,519,017	4,492,690
Total primary government program revenues	$ 10,356,435	$ 6,713,807	$ 6,787,932	$ 5,987,428	$ 6,394,669
Net (Expenses) Revenues					
Governmental activities	$ (4,634,882)	$ (7,191,702)	$ (7,031,688)	$ (8,183,451)	$ (7,656,033)
Business-type activities	2,755,486	2,188,866	599,115	429,380	229,661
Total primary government net expenses	$ (1,879,396)	$ (5,002,836)	$ (6,432,573)	$ (7,754,071)	$ (7,426,372)
General Revenues and Other Changes in Net Position					
Governmental activities					
Taxes					
Property	$ 4,521,765	$ 4,703,870	$ 5,140,105	$ 5,321,225	$ 6,144,664
Sales	1,253,391	1,208,557	1,459,743	1,774,698	1,765,996
Franchise	545,140	537,454	777,768	764,887	806,115
Investment earnings	3,986	13,272	53,986	112,609	59,584
Miscellaneous	308,179	143,633	141,834	219,942	40,382
Grants not restricted to a specific purpose	-	-	-	-	-
Gain on sale of capital assets	-	-	-	-	-
Transfers	953,377	748,617	-	-	-
Total governmental activities	7,585,838	7,355,403	7,573,436	8,193,361	8,816,741
Business-type activities					
Investment earnings	521	3,919	17,591	43,329	16,298
Transfers	(953,377)	(748,617)	-	-	-
Total business-type activities	(952,856)	(744,698)	17,591	43,329	16,298
Total primary government	6,632,982	6,610,705	7,591,027	8,236,690	8,833,039
Change in Net Position					
Governmental activities	2,950,956	163,701	541,748	9,910	1,160,708
Business-type activities	1,802,630	1,444,168	616,706	472,709	245,959
Total primary government	$ 4,753,586	$ 1,607,869	$ 1,158,454	$ 482,619	$ 1,406,667

Fiscal Year				
2021	2022	2023	2024	2025
$ 4,350,305	$ 4,721,496	$ 4,655,420	$ 5,082,982	$ 6,468,076
265,392	134,266	29,035	86,309	56,733
4,615,697	4,855,762	4,684,455	5,169,291	6,524,809
$ 7,867,519	$ 6,727,228	$ 6,790,495	$ 7,512,386	$ 9,572,117
$ (7,647,047)	$ (8,887,667)	$ (10,161,255)	$ (11,232,939)	$ (11,539,483)
596,654	(926,487)	(814,890)	(1,324,454)	(659,238)
$ (7,050,393)	$ (9,814,154)	$ (10,976,145)	$ (12,557,393)	$ (12,198,721)
$ 6,820,007	$ 6,959,571	$ 7,420,296	$ 8,811,356	$ 9,164,261
1,958,164	1,859,721	2,218,382	2,285,133	3,088,581
809,838	887,603	798,218	714,945	489,770
3,490	107,759	576,953	869,197	1,258,555
83,651	150,819	211,495	219,749	185,467
-	139,053	190,984	731,152	2,124,119
-	-	-	29,275	43,600
(187,524)	(127,525)	(97,525)	(922,344)	(1,844,609)
9,487,626	9,977,001	11,318,803	12,738,463	14,509,744
1,217	33,741	377,284	933,543	824,592
187,524	127,525	97,525	922,344	1,844,609
188,741	161,266	474,809	1,855,887	2,669,201
9,676,367	10,138,267	11,793,612	14,594,350	17,178,945
1,978,785	1,089,334	1,157,548	1,505,524	2,970,261
785,395	(765,221)	(340,081)	531,433	2,009,963
$ 2,764,180	$ 324,113	$ 817,467	$ 2,036,957	$ 4,980,224

City of Kennedale, Texas
Table C - Fund Balances of Governmental Funds
Modified Accrual Basis of Accounting
Last Ten Fiscal Years (Unaudited)

	2016	2017	2018	2019	2020
General Fund					
Nonspendable	$ 240,850	$ 206,755	$ 86,778	$ 54,346	$ 66,280
Restricted	-	-	106,347	106,347	113,983
Assigned	367,218	-	915,608	915,608	501,973
Unassigned	1,972,229	2,264,414	1,746,714	1,597,593	2,453,218
Total general fund	$ 2,580,297	$ 2,471,169	$ 2,855,447	$ 2,673,894	$ 3,135,454
All Other Governmental Funds					
Restricted for					
Debt service	$ 11,861	$ -	$ 194,135	$ 315,015	$ 489,285
Tourism	-	-	-	-	-
Public safety	-	155	-	1,895	4,320
Other	-	-	1,747	-	-
Capital projects	400,170	425,432	565,525	3,164,782	2,839,820
Assigned					
Parks	-	-	158,092	84,108	101,611
Unassigned (deficit)	-	-	(788,591)	(594,328)	(422,643)
Total all other governmental funds	$ 412,031	$ 425,587	$ 130,908	$ 2,971,472	$ 3,012,393

Source: Annual Comprehensive Financial Report

2021	2022	2023	2024	2025
$ 74,707	$ -	$ 259	$ -	$ 62,486
118,515	127,536	129,938	152,614	139,009
296,074	28,081	39,437	-	-
2,653,244	2,313,960	3,297,372	4,153,728	4,801,292
$ 3,142,540	$ 2,469,577	$ 3,467,006	$ 4,306,342	$ 5,002,787
$ 687,654	$ 838,141	$ 698,325	$ 947,981	$ 1,197,340
-	41,928	67,419	90,925	97,175
2,549	4,652	4,626	19,006	7,283
-	-	-	-	-
2,961,336	8,863,433	9,821,216	20,636,940	18,092,180
648,018	699,737	558,723	279,312	269,869
(233,953)	(22,889)	(1,652)	(1,153)	(760)
$ 4,065,604	$ 10,425,002	$ 11,148,657	$ 21,973,011	$ 19,663,087

City of Kennedale, Texas
Table D - Changes in Fund Balances of Governmental Funds
(Modified Accrual Basis of Accounting)
Last Ten Fiscal Years (Unaudited)

	Fiscal Year				
	2016	2017	2018	2019	2020
Revenues					
Taxes	$ 6,330,577	$ 6,399,207	$ 6,703,224	$ 7,169,500	$ 7,896,341
Licenses, fees, and permits	727,163	465,917	462,291	182,210	244,188
Franchise fees	-	-	777,768	764,887	806,115
Fines and penalties	232,660	196,564	189,315	144,181	90,778
Public safety fees	237,104	264,317	184,260	194,930	193,734
Charges for services	73,840	76,682	81,142	82,754	308,599
Intergovernmental	787,432	339,415	712,870	864,336	1,064,680
Investment earnings	3,986	13,272	53,986	112,609	59,584
Contributions	1,527	4,399	-	-	-
Miscellaneous	306,652	184,530	141,834	219,942	40,382
Total revenues	8,700,941	7,944,303	9,306,690	9,735,349	10,704,401
Expenditures					
Current					
General government	1,247,881	1,321,110	1,473,009	1,611,757	1,982,013
Public safety	4,346,827	4,271,460	4,390,751	4,966,865	4,709,552
Public works	681,748	728,228	718,519	788,130	878,155
Culture and recreation	301,411	322,353	373,593	328,507	376,479
Capital outlay	1,339,271	972,098	207,510	725,256	595,069
Debt service					
Principal	895,356	1,122,944	1,205,033	1,428,543	1,435,439
Interest and fiscal charges	536,710	349,041	384,963	296,008	276,866
Bond issuance costs	-	-	-	66,550	-
Total expenditures	9,349,204	9,087,234	8,753,378	10,211,616	10,253,573
Excess (deficiency) of revenues over (under) expenditures	(648,263)	(1,142,931)	553,312	(476,267)	450,828
Other Financing Sources (Uses)					
Issuance of debt	-	-	-	2,760,000	-
Issuance of lease	4,087,218	331,865	-	375,378	-
Issuance of subscription	-	-	-	-	-
Premiums on bonds issued	-	-	-	-	-
Payment to escrow agent	-	-	-	-	(1,214,150)
Refunding bonds/lease issued	(3,646,951)	-	-	-	1,265,803
Proceeds from sale of asset	-	-	-	-	-
Transfers in	1,036,598	1,006,384	277,217	230,437	251,926
Transfers out	(83,221)	(257,767)	(277,217)	(230,437)	(251,926)
Total other financing sources (uses)	1,393,644	1,080,482	-	3,135,378	51,653
Net Change in Fund Balances	$ 745,381	$ (62,449)	$ 553,312	$ 2,659,111	$ 502,481
Debt service as a percentage of noncapital expenditures	17.9%	18.1%	18.6%	18.2%	17.7%

Source: Annual Comprehensive Financial Report

Fiscal Year				
2021	2022	2023	2024	2025
$ 8,736,857	$ 8,831,392	$ 9,644,422	$ 11,057,915	$ 12,326,779
1,646,852	481,548	330,375	585,656	382,110
809,838	887,603	798,218	714,945	489,770
85,918	151,404	205,857	350,123	332,702
337,044	312,188	265,096	375,099	350,335
245,453	206,069	252,015	221,960	319,781
937,032	1,000,251	1,166,624	1,509,398	3,917,796
3,490	107,759	576,953	869,197	1,258,555
-	-	-	-	-
83,648	150,819	211,495	193,616	168,244
12,886,132	12,129,033	13,451,055	15,877,909	19,546,072
1,873,559	1,815,767	1,546,170	1,897,163	2,326,948
6,071,051	6,009,309	6,435,275	7,116,727	7,614,375
1,005,271	954,724	1,384,535	1,362,798	1,212,385
348,914	372,340	477,597	502,659	761,004
516,446	896,568	2,392,709	4,634,069	6,381,306
1,554,474	1,623,959	1,659,777	1,675,718	1,921,029
263,296	418,173	255,972	332,003	888,579
-	-	52,702	290,088	-
11,633,011	12,090,840	14,204,737	17,811,225	21,105,626
1,253,121	38,193	(753,682)	(1,933,316)	(1,559,554)
-	5,735,000	2,355,000	13,790,000	-
-	-	113,937	-	-
-	-	-	121,258	-
-	408,296	97,702	578,817	-
(1,545,300)	-	-	-	-
1,540,000	-	-	-	-
-	-	-	29,275	43,600
195,560	116,501	114,800	346,284	415,545
(383,084)	(244,026)	(212,325)	(1,268,628)	(513,070)
(192,824)	6,015,771	2,469,114	13,597,006	(53,925)
$ 1,060,297	$ 6,053,964	$ 1,715,432	$ 11,663,690	$ (1,613,479)
16.4%	18.2%	16.2%	15.2%	19.1%

City of Kennedale, Texas
Table E - Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years (Unaudited)

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Less Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2016	$ 423,074,019	$ 133,607,106	$ 42,937,171	$ 50,198,154	$ 549,420,142	0.76750	$ 549,420,142	100.00%
2017	434,127,908	137,328,197	21,506,171	25,203,051	567,759,225	0.76750	567,759,225	100.00%
2018	479,936,919	147,896,807	35,746,004	33,925,413	629,654,317	0.77750	629,654,317	100.00%
2019	517,326,245	155,373,286	29,734,655	11,730,455	690,703,731	0.72571	690,703,731	100.00%
2020	584,136,210	111,486,922	23,929,984	57,395,099	662,158,017	0.73497	662,158,017	100.00%
2021	610,463,688	114,757,038	25,308,936	55,313,812	695,215,850	0.77409	695,215,850	100.00%
2022	738,320,131	141,805,669	26,707,811	73,032,853	833,800,758	0.76409	833,800,758	100.00%
2023	928,544,958	288,569,538	28,185,966	86,177,943	1,159,122,519	0.70619	1,159,122,519	100.00%
2024	977,391,410	382,435,682	66,063,155	80,391,663	1,345,498,584	0.70619	1,345,498,584	100.00%
2025	966,778,856	431,299,188	56,021,190	60,884,844	1,393,214,390	0.70619	1,393,214,390	100.00%

Source: Tarrant Appraisal District Totals Report (September).

City of Kennedale, Texas
Table F - Direct and Overlapping
Property Tax Rates
Last Ten Fiscal Years (Unaudited)

	City Direct Rates			Overlapping Rates			
Fiscal Year	City Rate	General Obligation Debt Service	Total Direct	Kennedale Independent School District	Tarrant County	Tarrant County College District	Tarrant County Hospital District
2016	0.575204	0.192296	0.76750	1.486724	0.264000	0.149500	0.227897
2017	0.581711	0.185789	0.76750	1.486724	0.254000	0.144730	0.227897
2018	0.578750	0.198750	0.77750	1.480000	0.244000	0.140060	0.224429
2019	0.535219	0.190495	0.72571	1.451694	0.234000	0.136070	0.224429
2020	0.544429	0.190541	0.73497	1.350000	0.234000	0.130170	0.224429
2021	0.582686	0.191399	0.77409	1.336400	0.234000	0.130170	0.224429
2022	0.572949	0.191136	0.76409	1.226400	0.224000	0.130170	0.224429
2023	0.569154	0.137036	0.70619	1.226400	0.224000	0.130170	0.224429
2024	0.509273	0.196917	0.70619	1.137500	0.194500	0.112170	0.194500
2025	0.510974	0.195216	0.70619	1.135200	0.187500	0.112280	0.182500

Source: Tarrant Appraisals District (2024 Tax Rates).

Note: Overlapping rates are those of local and county governments that apply to property owners within the City of Kennedale, Texas

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City of Kennedale, Texas
Table G - Ad-Valorem Tax Levies and Collections
Last Ten Fiscal Years (Unaudited)

Fiscal Year	Taxes Levied for the Fiscal Year*	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2016	$ 4,501,716	$ 4,464,778	99.18%	$ 78	$ 4,464,856	99.18%
2017	4,644,955	4,589,538	98.81%	33	4,589,571	98.81%
2018	5,086,080	5,045,734	99.21%	151	5,045,885	99.21%
2019	5,219,526	5,169,354	99.04%	262	5,169,616	99.04%
2020	5,949,183	5,798,463	97.47%	44	5,798,507	97.47%
2021	6,521,122	6,063,561	92.98%	240	6,063,801	92.99%
2022	7,123,299	6,824,573	95.81%	779	6,825,352	95.82%
2023	8,464,672	8,194,905	96.81%	7,837	8,202,742	96.91%
2024	8,756,567	8,655,195	98.84%	68,154	8,723,349	99.62%
2025	8,828,483	8,749,248	99.10%	-	8,749,248	99.10%

* Excludes levy for TIRZ #1 New Hope Fund.

Source: Tarrant County Tax Office, Summary Part C (As Of September 30, 2025).

City of Kennedale, Texas
Table H - Ratios of Outstanding Debt by Type
Last Ten Fiscal Years (Unaudited)

	Governmental Activities				
Fiscal Year	General Obligation/ Certificates of Obligation	Premium on Bonds	Leases Obligations	Subscription Obligations	Tax Notes
2016	$ 11,001,843	$ -	$ 424,473	$ -	$ -
2017	10,026,300	-	600,557	-	-
2018	9,024,582	-	554,114	-	-
2019	8,099,682	-	722,846	-	2,575,000
2020	7,178,035	-	451,985	-	2,275,000
2021	6,186,673	-	559,180	-	1,805,000
2022	10,666,262	386,226	145,422	-	1,530,000
2023	11,839,675	467,747	151,169	-	1,160,000
2024	24,450,000	1,032,641	77,250	79,134	780,000
2025	22,975,000	1,011,259	54,801	40,554	395,000

Source: Notes to the financial statements and Table L

Business-type Activities						
General Obligation/ Certificates of Obligation	Premium on Bonds	Notes Payable	Total Primary Government	Percentage of Personal Income	Per Capita	Population
$ 2,728,413	$ -	$ 1,445,849	$ 15,600,578	0.47%	1,943	8,031
2,475,575	-	1,350,209	14,452,641	0.50%	1,738	8,315
2,213,912	-	1,254,570	13,047,178	0.56%	1,565	8,338
1,941,512	-	1,149,939	14,488,979	0.52%	1,696	8,543
1,660,288	-	1,035,195	12,600,503	0.64%	1,526	8,255
1,363,322	-	923,206	10,837,381	0.73%	1,272	8,517
1,118,734	-	805,984	14,652,628	0.70%	1,756	8,342
15,575,322	609,130	684,236	30,487,279	0.37%	3,268	9,329
15,140,000	602,089	557,789	42,718,903	0.28%	4,250	10,052
14,850,000	597,948	426,460	40,351,022	0.29%	3,746	10,771

City of Kennedale, Texas
Table I - Ratios of General Bonded Debt Outstanding per Capita
Last Ten Fiscal Years (Unaudited)

	General Bonded Debt Outstanding				
Fiscal Year	General Obligation Bonds/ Certificates of Obligation	Premium on Bonds	Total	Percentage of Actual Taxable Value of Property	Per Capita
2016	$ 13,730,256	$ -	$ 13,730,256	2.50%	$ 1,710
2017	12,501,875	-	12,501,875	2.20%	1,504
2018	11,238,494	-	11,238,494	1.78%	1,348
2019	10,041,194	-	10,041,194	1.45%	1,175
2020	8,838,323	-	8,838,323	1.33%	1,071
2021	7,549,995	-	7,549,995	1.09%	886
2022	11,784,996	386,226	12,171,222	1.46%	1,459
2023	27,414,997	1,076,877	28,491,874	2.46%	3,054
2024	39,590,000	1,634,730	41,224,730	3.06%	4,101
2025	37,825,000	1,609,207	39,434,207	2.83%	3,661

Source: Table E, H, and L

City of Kennedale, Texas
Table J - Direct and Overlapping Governmental Activities Debt (Unaudited)
September 30, 2025

Government Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Debt Repaid with Property Taxes:			
Arlington ISD	$ 1,224,080,000	0.02%	$ 244,816
Fort Worth ISD	1,561,440,000	0.09%	1,405,296
Kennedale ISD	98,815,025	42.47%	41,966,741
Mansfield ISD	1,260,570,000	0.18%	2,269,026
Tarrant County	314,050,000	0.37%	1,161,985
Tarrant County College District	547,535,000	0.37%	2,025,880
Tarrant County Hospital District	431,255,000	0.37%	1,595,644
Subtotal overlapping debt			50,669,387
Total direct - City of Kennedale	$ 24,476,614	100.00%	24,476,614
Direct and Overlapping Debt			$ 75,146,001
Total Direct and Overlapping Debt % of A.V:		6.93%	
Total Direct and Overlapping Debt per Capita		$ 8,253	

The percentage of overlapping debt applicable is estimated using taxable assessed property values.

Source: Municipal Advisory Council of Texas

City of Kennedale, Texas
Table K - Legal Debt Margin Information
Last Ten Fiscal Years (Unaudited)

The city charter of the City of Kennedale (section 6.05), Texas does not provide for a debt limit. The debt portion of the overall tax rate may rise as high as necessary to retire debt for the coming year without triggering the threat of rollback. Under the provision of Texas State law, the maximum tax rate is limited to $2.50 per $100 assessed valuation. The tax rate for fiscal year 2025 was established at $0.706190 per $100 assessed valuation based on 100% of net taxable value.

City of Kennedale, Texas
Table L - Demographic and Economic Statistics
Last Ten Calendar Years (Unaudited)

Year	Estimated Population	Median Household Income	Per Capita Median Household Income	Unemployment Rate
2016	8,031	$ 73,909	$ 31,163	4.1%
2017	8,315	71,875	31,904	5.3
2018	8,338	72,461	31,335	4.5
2019	8,543	75,000	32,435	3.5
2020	8,255	80,565	35,350	3.3
2021	8,517	79,575	36,588	6.9
2022	8,342	102,217	40,477	3.3
2023	9,329	112,646	44,483	3.9
2024	10,052	117,853	47,452	3.5
2025	10,771	118,794	49,602	3.8

Sources: United States Census Bureau, Quick Facts, Kennedale, TX

Texas Workforce Commission

Note: Personal Income & Per Capita Personal Income & Unemployment Rate:

United States Census Bureau, 2025 American Community Survey, Federal Reserve Bank of St. Louis

City of Kennedale, Texas
Table M - Principal Employers
Current and Nine Years Ago (Unaudited)

Employer	2025 Employees	2016 Employees
Sabre Industries/Fort Worth Tower	450-500	450-500
Kennedale Independent School District	400-450	400-450
Speed Fab Crete	100-150	100-150
ARK Contracting Services	50-100	50-100
Hawk Steel	50-100	50-100
RE Watson & Associates	50-100	50-100
Harrison Jet Guns	50-100	50-100
City of Kennedale	50-100	50-100
Quick Roofing	25-50	25-50
Beard's Towing	1-25	1-25

Source: Survey responses from employers conducted by the City of Kennedale

Note: Employees listed by employers are estimates.

City of Kennedale, Texas
Table N - Full-Time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years (Unaudited)

Function/Program	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Government										
Management services	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Finance	3.0	2.5	2.5	3.0	3.0	3.7	3.5	3.8	3.8	3.8
Planning	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	4.0
Building	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Municipal court	2.0	2.0	2.0	1.5	1.0	1.0	2.0	2.0	2.0	3.0
Police										
Officers	20.0	20.0	21.0	21.0	21.0	21.0	21.0	22.0	22.0	22.0
Civilians	2.5	2.1	2.5	2.5	2.5	2.7	3.0	3.0	4.0	4.0
Fire										
Firefighters and officers	16.0	16.0	16.0	20.0	17.0	19.0	19.0	20.0	20.0	20.0
Civilians	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Other public works										
Streets & Parks	8.0	8.0	8.0	8.0	11.0	10.8	10.4	8.0	9.7	9.7
Library	3.5	4.0	4.0	4.0	4.0	4.0	4.0	4.0	5.0	5.0
Water/Wastewater	11.5	11.5	11.5	11.5	-	-	-	-	-	-
Total	75.5	75.1	76.5	80.5	68.5	71.2	71.9	71.8	75.5	77.5

Sources: FY2024-25 Adopted Budget.

Note: A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick leave). Full-time equivalent employment is calculated by dividing total labor hours by 2,080. These figures also include regular, part-time and seasonal employees.

City of Kennedale, Texas
Table O - Operating Indicators by Function/Program
Last Ten Fiscal Years (Unaudited)

Function/Program	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Government										
Building permits issued	504	292	593	41	40	664	694	638	652	704
Building inspections conducted	1,185	1,752	1,165	399	114	1,232	1,320	1,057	1,269	1,592
Police										
Physical arrests	203	374	109	111	163	154	241	211	205	163
Parking violations	24	6	7	8	6	16	56	163	53	123
Traffic violations	2,828	4,296	1,692	1,725	2,249	1,263	3,822	5,775	7,962	7,000
Fire										
Emergency responses	867	1,166	693	706	740	1,508	1,559	1,650	1,578	1,392
Fires extinguished	200	200	58	155	29	80	100	61	55	58
Inspections	178	218	66	87	56	45	104	205	115	361
Library										
Volumes in collection	16,292	16,831	16,322	16,322	16,671	14,896	18,990	15,986	15,139	12,209
Total volumes borrowed	20,288	21,579	18,007	18,007	17,863	16,291	20,035	24,494	25,739	21,859
Water and Wastewater										
New connections	39	59	65	81	111	79	63	4	13	8
Average daily consumption	898,918	980,413	909,919	1,003,523	772,156	921,301	1,163,573	1,129,573	2,241,830	994,104
Peak daily consumption	2,021,800	1,884,040	2,449,850	2,015,488	-	2,190,436	1,994,745	9,827,980	7,055,683	2,711,788

Source: Various City departments

City of Kennedale, Texas
Table P - Capital Asset Statistics by Function/Program
Last Ten Fiscal Years (Unaudited)

Function/Program	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Zone offices	1	1	1	1	1	1	1	1	1	1
Patrol units	17	8	8	8	8	9	9	11	11	11
Fire										
Stations	1	1	1	1	1	1	1	1	1	1
Other public works										
Streets (miles)	42	46	46	46	46	49	49	49	49	49
Streetlights	332	346	346	346	346	376	376	376	380	380
Parks and recreation										
Acreage	28	27	27	27	27	27	28	28	28	28
Playgrounds	4	4	4	4	4	4	4	4	4	4
Baseball/softball diamonds	3	3	3	3	3	3	3	3	3	3
Community centers	1	1	1	1	1	1	1	1	1	1
Water and Wastewater										
Water mains (miles)	48	49	49	49	67	68	68	64	64	64
Fire hydrants (thousands)	5	5	5	5	5	5	5	5	5	5
Storage (thousands of gallons)	3,350	3,350	3,350	3,350	3,325	3,300	2,820	2,825	2,825	2,825
Elevated	1,250	1,250	1,250	1,250	1,145	1,250	1,720	1,720	1,000	1,000
Ground	2,100	2,100	2,100	2,100	2,180	2,150	1,100	1,100	1,825	1,825
Sanitary sewers (miles)	48	50	50	50	47	48	48	48	51	51
Storm sewers (miles)	4	4	4	4	5	6	6	6	6	6

Source: Various City departments

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

The Honorable Mayor and
Members of City Council
City of Kennedale, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Kennedale, Texas (City), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 26, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2025-001 and 2025-002, that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The City's responses were not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Forvis Mazars, LLP

Dallas, Texas
March 26, 2026

City of Kennedale, Texas
Schedule of Findings and Responses
Year Ended September 30, 2025

Reference Number	Finding
2025-001	Finding – Significant Deficiency in Year-End Close Criteria – Management is responsible for establishing and maintaining effective internal control over financial reporting. Condition – The City's year-end closing procedures were not performed accurately which resulted in initial errors in the trial balances and reconciliations and required numerous adjustments (by City and auditor). Cause – Internal controls and review processes were not in place to ensure all year-end close-related activity was completed timely. Effect – Adjustments to various accounts were necessary in order to correct the financial statements. Recommendation – The City develop an accounting policies and procedures manual that indicates all items to be completed during the year-end close and the individuals responsible for each item. Year-end procedures need to be developed and implemented to ensure account balances are reconciled timely and accurately. Views of Responsible Officials and Planned Corrective Actions – We understand the importance of the financial reporting process, and the City plans to implement controls and processes to improve accuracy of financial information.
2025-002	Finding – Significant Deficiency in Recognition of Grant Revenues Criteria – Generally accepted accounting principles for local governmental entities require that grant revenues be recognized in the period in which all applicable eligibility requirements are met. Condition – The City recognized grant revenues upon receipt of reimbursement payments rather than when the related expenditures were incurred and eligibility requirements were met. Cause – Internal controls and review processes were not in place to ensure grant revenues are accrued at year-end based on incurred eligible expenditures. Effect – The FY2025 grant revenues were overstated, and beginning fund balance/net position was misstated. The City recognized grant revenue in FY2025 that should have been recognized in FY2024. The City will be required to undergo a single audit or the SLFRF examination as a result of the FY2024 additional federal expenditures identified. Recommendation – The City identify all funding received by outside parties and the related requirements to properly account for the expenditures and revenues. Develop a grants policies and procedures manual that require periodic (at least quarterly and year-end) reconciliations performed by each department and submitted to the Finance Department of allowable grant expenditures to reimbursement requests and payments received for all active grant awards. Year-end procedures need to be developed and implemented to record grant revenue and receivables when qualifying expenditures are incurred and eligibility requirements are met to ensure proper grant revenue recognition. Views of Responsible Officials and Planned Corrective Actions – We understand the importance of the financial reporting process and the City plans to implement controls and processes to improve accuracy of financial information.

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